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19 October 1978

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

19 October 1978

| | |
|---|---|
| Current Survey | 1 |
| Major Recent Developments Affecting the International Economy | |

25X6

| | |
|---|----|
| Turkey: Ecevit Riding Out Economic Troubles and Political Violence | 11 |
| The Prime Minister reaps the benefits from his take-charge attitude, a high-visibility foreign policy, and divisions among his political opponents. | |

| | |
|---|----|
| China: Fundamental Change in Foreign Economic Policy | 17 |
| Peking is exploring hitherto proscribed credit arrangements and joint ventures with major trading partners. | |

25X1

| | |
|---|----|
| Spain: Solid Improvement in Financial Situation | 20 |
| At a cost in short-term growth and employment, Prime Minister Adolfo Suarez' centrist government is putting the Spanish financial house in order. | |

| | |
|--|----|
| Iran: Nuclear and Military Programs Victims of Political Unrest | 25 |
| The Shah has agreed to free funds from these cherished programs to boost rural development, transportation, and social welfare projects. | |

| | |
|---|----|
| Notes | 27 |
| China Continues Expansion of Merchant Fleet | |
| Indian Floods Curtail Industrial Growth | |
| Soviet Official Hints at Bigger Grain Buy | |

25X1

1
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Current Survey

MAJOR RECENT DEVELOPMENTS AFFECTING THE
INTERNATIONAL ECONOMY

OECD Unemployment

Both CIA/OER and the Organization for Economic Cooperation and Development see little prospect for improvement in the unemployment picture in key industrial countries this year or next. Generally speaking, unemployment rates are double the rates prevailing in the decade before the oil price hike, with the situation particularly serious in steel, textiles, footwear, and consumer electronics. Only Bonn and, to a lesser degree, Tokyo have launched stimulation programs that will at least prevent their jobless rolls from swelling further. Most other OECD countries are more concerned with trimming their inflation rates.

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Selected Industrial Countries: Unemployment Rates ¹

| | 1965-74 Annual Average (Percent) | Current Rate ² (Percent) | 1979 Prospects ³ |
|--------------------------|--|--|-----------------------------|
| Japan | 1.2 | 2.3 | Level. |
| West Germany | 1.2 | 4.4 | Slight decrease. |
| France | 1.9 | 5.8 | Increase. |
| United Kingdom | 2.5 | 5.8 | Increase. |
| Canada | 5.0 | 8.5 | Increase. |
| Italy ⁴ | | 7.5 | Increase. |

¹ Rates do not permit cross-country comparisons.² Latest rate available.³ Change from current rate.⁴ Historical data for Italy are not comparable with current rate.

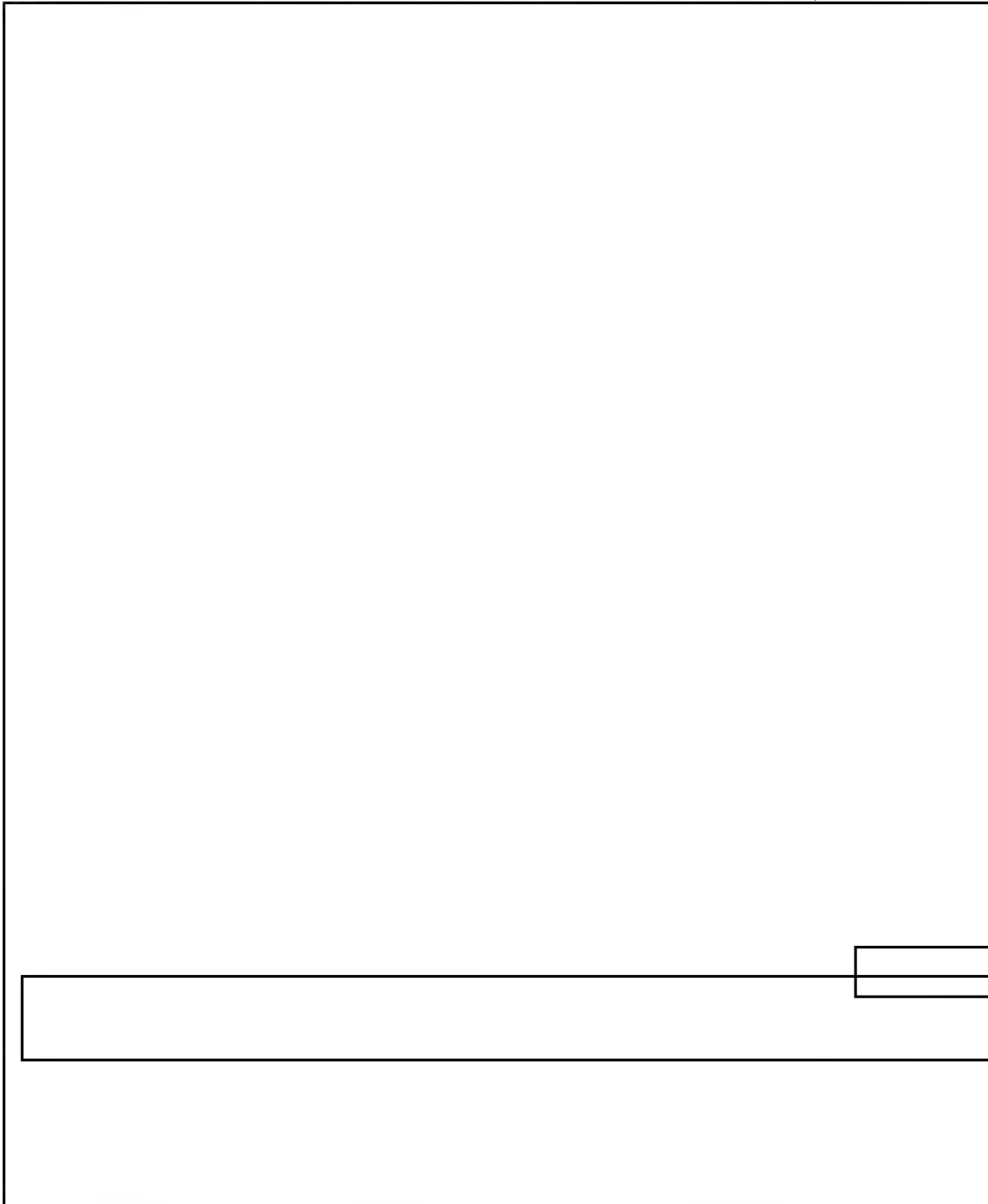
Trade Discussions

The momentum built up prior to the Bonn Summit to complete Multilateral Trade Negotiations discussions by yearend 1978 is in danger of losing steam. Supporters of the trade negotiations still hope—in meetings scheduled in Geneva,

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Florida, and Washington—to settle the major issues between developed countries by the self-imposed deadline of 15 November. The Economic Community is having trouble keeping individual countries in line. Paris—never a strong backer of the trade discussions—wants the EC to impose new restrictions on US exports of grain substitutes. Denmark is pushing for retaliatory action if the US Congress refuses to extend the waiver on countervailing duties for EC food shipments to the United States.



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The oil market has tightened in recent weeks because of advanced liftings by oil companies in anticipation of the likely 1 January 1979 price hike by the Organization of Oil Exporting Countries and because of strategic stockbuilding in OECD countries. So far labor unrest in Iran has not affected oil production or exports although prolonged strikes which delay necessary maintenance would increase the probability of output-crippling accidents. Kuwait, among others, is arguing that the recent upswing in liftings justifies a sizable hike—10 to 15 percent at least—in crude oil prices on 1 January 1979. 

19 October 1978

SECRET

3

Approved For Release 2004/07/28 : CIA-RDP80T00702A000900030002-7

Approved For Release 2004/07/28 : CIA-RDP80T00702A000900030002-7

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TURKEY: ECEVIT RIDING OUT ECONOMIC TROUBLES AND POLITICAL VIOLENCE

The nine-month-old government of Prime Minister Bulent Ecevit seems likely to remain in power for several more months, even though it has failed to get on top of Turkey's economic crisis or stop the spread of political violence. The electorate and the military are bothered less than outsiders might think by the government's shortcomings. Moreover, Ecevit reaps political benefits from a take-charge attitude, a high-visibility foreign policy, and divisions among his political opponents. If Ecevit's Republican Peoples Party government eventually falls, internal strains—factional squabbles, personality clashes, and sheer political opportunism as well as policy differences—will play key roles.

The Economy: Payments and Debt Problems

Last January Prime Minister Ecevit inherited an economy badly weakened by general mismanagement, which had culminated in a yearlong payments crunch. Turkey, with an annual GNP of roughly \$45 billion, had short-term foreign debt of \$5 billion to \$6 billion overdue or falling due in less than a year. The current account deficit had reached \$3.4 billion in 1977. Inflation was running at an annual rate of 40

19 October 1978

SECRET

11

SECRET

to 50 percent. Unemployment exceeded 15 percent and was rising. Private foreign banks had tied prospective loans, needed to maintain imports, to conclusion of an agreement between Ankara and the International Monetary Fund (IMF) that would obligate the Turks to implement stabilization measures. Yet negotiations leading toward such an agreement had moved only haltingly.

Turkey: Balance of Payments

| | 1974 | 1975 | 1976 | 1977 ¹ | 1978 ² |
|---|--------|--------|--------|-------------------|-------------------|
| Trade balance | -2,245 | -3,338 | -3,168 | -4,043 | -2,700 |
| Exports, f.o.b. | 1,532 | 1,401 | 1,960 | 1,753 | 2,300 |
| Imports, c.i.f. | 3,777 | 4,739 | 5,128 | 5,796 | 5,000 |
| Invisibles balance | 1,527 | 1,458 | 868 | 658 | 800 |
| Interest payments | -102 | -124 | -217 | -320 | NA |
| Worker remittances | 1,426 | 1,312 | 983 | 982 | NA |
| Other | 203 | 270 | -102 | -4 | NA |
| Current account balance | -718 | -1,880 | -2,300 | -3,385 | -1,900 |
| Long-term capital account balance | 290 | 520 | 619 | 457 | 550 |
| Principal repayments | -126 | -118 | -119 | -214 | NA |
| Project credits | 268 | 381 | 570 | 499 | NA |
| Other (net) | 148 | 257 | 168 | 172 | NA |
| Basic balance | -428 | -1,360 | -1,681 | -2,928 | -1,350 |
| Short-term capital account balance ³ | -60 | -666 | -1,520 | -2,719 | -300 |
| Balancing items | -368 | -694 | -161 | -209 | -200 |
| Reserve movements | -259 | -797 | 59 | -350 | |
| IMF drawings | | -287 | -150 | | -200 ⁴ |
| Errors & omissions | -109 | 390 | -70 | 141 | |
| Financing gap | | | | | -850 |
| Potential additional resources | | | | | 535 ⁵ |
| Remaining financing gap | | | | | -315 |

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The Ecevit government got off to a good start in the economic area. Last February and March it sharply devalued the lira, trimmed the 1978 budget, and tightened credit and travel restrictions. A two-year standby agreement for SDR 300 million (roughly \$370 million) was approved by the IMF in April, and the first disbursement followed soon thereafter.

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Although Ankara did succeed in rescheduling \$1.0 billion to 1.5 billion of official and officially guaranteed loans with OECD governments in May, its performance on private debt has been another matter. Turkey's insistence on softer repayment terms for one grouping of \$2.5 billion in outstanding short-term private debt prolonged refinancing negotiations, and major banks declined to consider new credits until outstanding obligations had been cleared. Refinancing arrangements are only now being concluded, with all correspondent banks expected to agree to the terms sometime this month or next. Nothing has been done about still another \$1.5 billion to 2.0 billion in private debt, consisting mostly of trade arrears with individual foreign suppliers. New credits are unlikely to amount to more than \$500 million, in contrast to the \$1.0 billion to 1.5 billion that had been widely expected to follow an IMF accord.

Ankara's evident lack of urgency in dealing with the foreign exchange problem has exhausted the patience of many foreign suppliers and banks. Imports, which held up well in 1977 despite mounting payments arrears, have fallen sharply this year. Many industries are operating at half capacity for lack of imported machine parts, packaging materials, or product components. Unemployment is nearing 20 percent, and inflation is still running at over 50 percent.

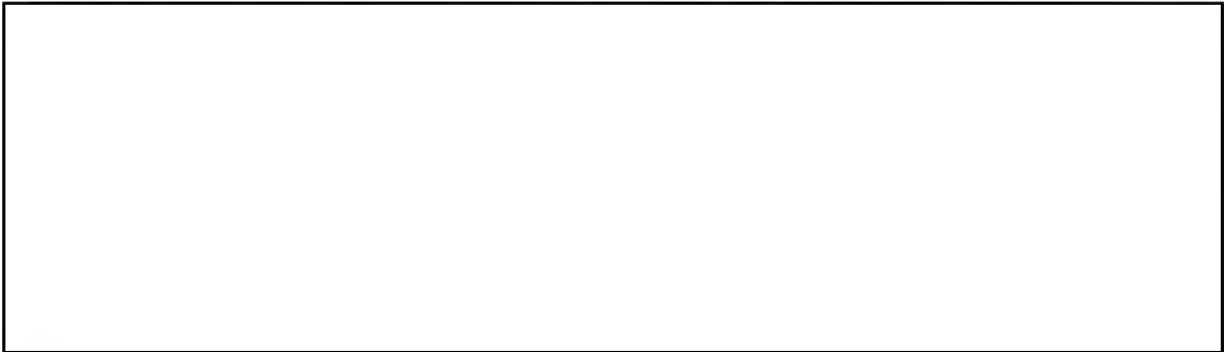
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Worsening Violence

Turkish political violence, something of a way of life even before Ecevit became Prime Minister, is accelerating. Clashes between left and the right extremists in the cities are now causing more than twice as many deaths as they did a year ago; deaths

SECRET

now average well over one per day. Moreover, clashes no longer are confined mainly to university campuses, nor did violence abate much when the students went home for the summer vacation. To the violence that has become a standard part of the urban scene must be added the frequent clashes among Kurdish factions and between Kurds and government forces in remote eastern Turkey.

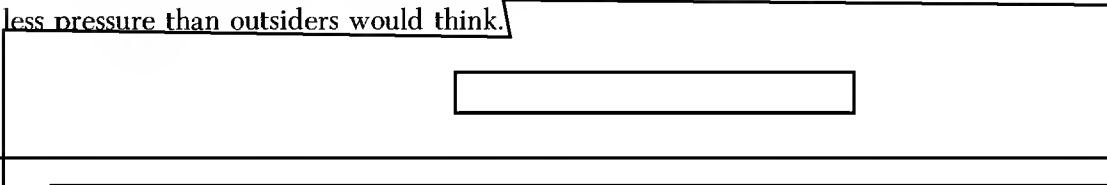


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Political Dynamics

Neither his failure to reduce violence nor his weak economic record seems to have seriously damaged Ecevit's domestic political standing. Although many Turks find the pace of violence disturbing, they do not seem to blame Ecevit for failing to stop it. Indeed, political partisanship runs so deep that even those who condemn the fighting in the abstract often condone the actions of one side or the other.

The political impact of economic troubles is hard to predict, but Ecevit is under less pressure than outsiders would think.



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CHINA: FUNDAMENTAL CHANGE IN FOREIGN ECONOMIC POLICY

To spur the acquisition of foreign technology under the 10-year modernization plan (1976-85), China is exploring hitherto proscribed forms of economic cooperation involving long-term credits and joint ventures. Although self-reliance is still proclaimed as a fundamental national policy, its definition is being stretched to embrace almost any economic activity that does not openly infringe national sovereignty.

Flexibility With a Vengeance

In order to acquire foreign equipment and technology for its modernization drive, Peking is now exploring an unusually wide variety of commercial arrangements that would not have been possible in the years of political turmoil surrounding Mao's last illness and death:

- Greater use of foreign credits than at any time in the past, including direct loans from Western banks and borrowing for more than five years.
- Barter and compensation deals to finance imports of foreign machinery, whole plants, and technology.
- Various forms of joint ventures with foreign firms for resource development and manufacturing facilities.
- Establishment of specified export bases in various parts of China, with local areas permitted to retain a greater share of the hard currency earnings.
- Liberalized export practices which permit the use of customer-supplied labels, designs, packaging, raw materials, and even machinery needed to produce goods up to customer specification.

Most of these activities are still in the negotiating stage. On credits, the Chinese have reportedly agreed in principle to accept loans for capital purchases from the Japan Export-Import Bank and from British and West German banks. These loans eventually may total several billion dollars. Barter and compensation deals have been discussed over the last few months with a number of Western firms, but no contracts have been signed. Proposals have included repayment in kind for projects in coal mining, petrochemicals, metals, electronic components, and consumer goods. At the 1978 spring Canton Fair, Chinese officials volunteered to discuss reprocessing arrangements, involving customer-supplied materials and equipment; among firms from developed countries, only Japanese companies have shown interest in the

SECRET

Chinese proposal. According to a Chinese-controlled newspaper in Hong Kong, this kind of arrangement is already under way with Hong Kong firms, in the fields of textiles and light manufactures.

The status of joint venture arrangements—Peking's most far-reaching proposal—is difficult to pin down. Reporting on the type and location of joint ventures the Chinese are willing to entertain has been contradictory. Joint ventures with Western oil companies for offshore oil development is the one fairly clear proposal. Peking appears willing to permit oil companies to develop offshore oil resources on a risk capital basis in return for a share of the output.

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Limits of Liberalization

These new trade and financial policies are still unfolding. In view of the multibillion dollar capital import program now under way, China will require large amounts of import financing and on longer terms. Barter and compensation deals have appeal to the Chinese because the import costs are self-liquidating. Ultimately, higher levels of exports will be needed to repay the credits so that Chinese efforts to boost exports through cooperation with Western firms make sense. Still, both internal and external problems may affect the scope and implementation of these policies.

Internally, opposition may persist both to the content of the new policies and to the pace at which past policies are being modified. The Chinese press continues to extol the wisdom of technology imports in an effort to win over the unconvinced. To bolster the theoretical argument, the national *Kwangming Daily* in August 1978 published an article on Lenin's New Economic Policy in the 1920s, citing with approval his use of foreign capital and technical assistance, joint ventures, and leases and concessions to rebuild the Soviet economy. Ideological appearances are still important to the Chinese. Direct government-to-government loans and direct foreign investment in China remain absolutely prohibited.

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cautioned by Peking to avoid terms such as *joint venture* and *foreign investment* in drawing up proposals for the People's Republic. As for borrowing from foreign sources, Chinese officials have created the facade of interest-bearing deposits by foreign banks with the Bank of China. And by redefining terms, China can treat the Japan Export-Import Bank as a private bank to justify the proposed resource development loan.

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Even with domestic opposition placated, China will face problems in implementing these measures on a large scale. Because Peking has not spelled out the details, both Western firms and Chinese officialdom may be overestimating the possibilities for agreement on compensation deals and joint ventures. For instance, Peking may prove unwilling to permit sufficient managerial and technical control by the foreign partner to assure adequate levels of output and quality of the products to be used for repayment. The rapid and monumental shift in trade and financial policies has given the leadership little time to think through all the implications. In several cases, notably the offshore oil negotiations, Chinese officials have appeared unaware of the complexity of these ventures and have seemed disappointed at the lengthy development and payback period involved.

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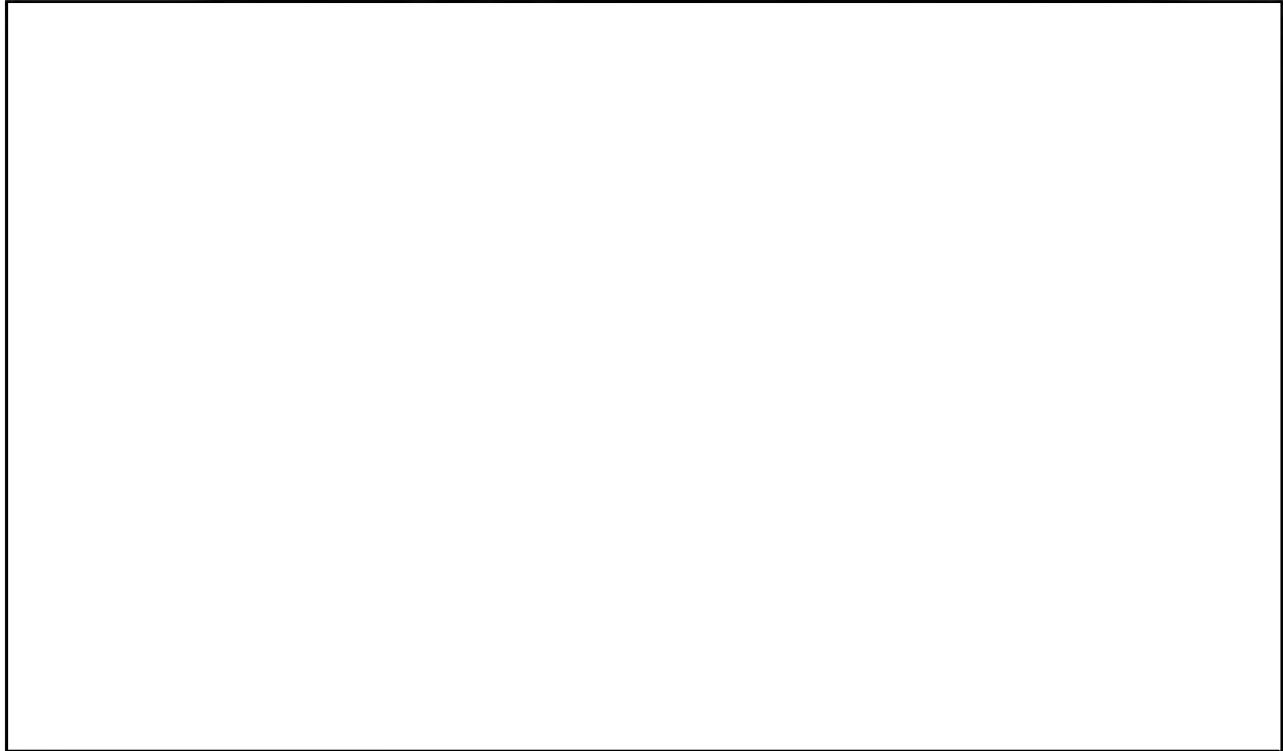
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19 October 1978

SECRET

19

SECRET



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SPAIN: SOLID IMPROVEMENT IN FINANCIAL SITUATION

Prime Minister Adolfo Suarez' centrist government is putting the Spanish financial house in order by reining in foreign borrowing, building reserves, and moving to improve domestic financial practices and institutions. Spain's growing creditworthiness is reflected in the lower interest rates and longer repayment periods that both official and private borrowers have been getting from foreign lenders. The principal factor behind the reduction of net borrowing abroad has been Madrid's success in cutting the current account deficit from \$4.3 billion in 1976 to less than \$500 million this year. In addition to giving top priority to narrowing the current account gap and slowing inflation, the government is admitting foreign banks, decontrolling interest rates, and taking other steps to increase the efficiency and capability of the banking system and the capital market. These changes should improve the allocation of capital, particularly to new and small firms, and further reduce demand for financing abroad.

The government carefully weighed the potential political and economic costs of its stabilization measures and financial reforms. By gaining the support of all major

SECRET

political parties, Suarez has effectively neutralized the political fallout from slow economic growth and high unemployment. Only strong growth in public spending and exports is permitting even a small increase in gross national product.

Checking Foreign Borrowing

Spain borrowed heavily abroad beginning in 1974 to cover mounting current account deficits caused by the quadrupling of oil prices and global recession. Total foreign debt, public and private, rose from about \$5.5 billion at yearend 1974 to \$13.9 billion at yearend 1977. The increase in debt and other serious economic problems went largely unattended because of the political uncertainty that had prevailed since before Generalissimo Franco's death in 1975. By mid-1977 Spain was in desperate financial straits, with the current account in record deficit and foreign reserves dwindling. The inflation rate exceeded 30 percent, and the peseta was clearly overvalued against other currencies.

Spain: Foreign Debt

| | Million US \$ | | | |
|--------------------------------------|--------------------|-------|--------|--------|
| | 1974 | 1975 | 1976 | 1977 |
| Total | 5,500 ¹ | 8,082 | 10,767 | 13,857 |
| Public Debt | 1,959 | 3,269 | 5,133 | 7,032 |
| State | 575 | 949 | 1,771 | 2,871 |
| Railroad | 431 | 681 | 815 | 949 |
| National Institute of Industry (INI) | 415 | 503 | 522 | 529 |
| INI enterprises | 538 | 738 | 1,529 | 2,144 |
| Other public organizations | 0 | 398 | 496 | 539 |
| Private Debt | 3,541 ¹ | 4,813 | 5,634 | 6,825 |
| With public guarantee | 648 | 792 | 928 | 1,095 |
| Toll roads | 507 | 672 | 825 | 1,007 |
| Other | 141 | 120 | 103 | 88 |
| Without public guarantee | 2,893 ¹ | 4,021 | 4,706 | 5,730 |
| Toll roads | NA | 383 | 484 | 506 |
| Other | NA | 3,638 | 4,222 | 5,224 |

¹ Estimated.

Elections in June 1977 gave the country a more broadly based government and confirmed the trend toward democracy under Suarez. His new Union of the Democratic Center government wasted little time in devaluing the peseta by 20 percent. Next, it launched a far-reaching stabilization program embodied in the Moncloa Pact, which was signed by representatives of all major political parties in October 1977. Moncloa Pact restrictions on money supply growth and wage increases helped Madrid get the inflation rate down to the target level of 17 percent by yearend. GNP growth, however, amounted to only 2.4 percent last year, and unemployment continued to rise.

SECRET

Spanish exports surged after the July 1977 devaluation and were up 12 percent in volume for the year. Exports are continuing to increase at a fast clip in 1978, while weak domestic demand is containing imports. Import volume grew only 6 percent in 1977 and has leveled off so far in 1978. As a result, the trade deficit in 1978 should decline to about \$4 billion, the lowest level since 1973. Meanwhile, tourism has been booming. The current account deficit was down to \$2.5 billion in 1977 from a peak of \$4.3 billion in 1976. The 1978 current account deficit probably will be less than \$500 million. GNP growth is expected to slow to about 2 percent this year; the unemployment rate, currently more than 8 percent, continues to edge upward.

Spanish authorities expect gross foreign borrowing to total \$4.0 billion this year, down from the original projection of \$4.5 billion. Heavy borrowing in second-half 1977 and early 1978 exceeded requirements, thanks to the vigorous improvement in the current account. As a result, foreign reserves have approximately doubled over the past 12 months, to \$9.3 billion. The central government is cutting its foreign borrowing by about two-thirds from the level earlier planned for 1978; public enterprises are reducing their borrowing as well. Private foreign borrowing probably is rising as companies take advantage of a decline in Eurodollar rates and respond to an anticipated moderate pickup in growth in 1979. All told, Madrid now expects foreign debt to increase \$1.4 billion this year, to \$15.3 billion, the smallest increase in five years.

The share of Spain's external debt owed by government agencies has grown from less than one-third in the early 1970s to more than one-half today. Madrid is shifting its foreign financing from medium-term commercial credit lines to longer term Eurodollar, deutschemark, and yen instruments. Over the next four to five years, Madrid plans to tap the US capital market for an increasing share of loan funds and is optimistically soliciting a triple-A bond rating from US financial firms. The share of loans from official sources, either multilateral or national, has declined from two-thirds of public external debt just a decade ago to one-quarter today.

Terms offered Spain have improved considerably over the last few years because of the strong improvement in the current account, the slowing of inflation, and the unexpectedly smooth transition to democracy.

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Financial Reforms

Movement toward structural reform of the financial system has helped to enhance Spain's international financial standing. Prompted in part by the prospect of

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European Community membership, Madrid is intent on moving away from the old Falangist bureaucratization and protectionism. A key element in the strategy is liberalization of banking. Historically, Spanish banking has been characterized by monopolistic practices, interlocking directories with big industrial firms, and a combination of lax regulation and pervasive government intervention.

Last July, Madrid began to lower the mandatory quotas for bank purchases of government securities and for bank lending to public and privileged private borrowers at concessionary rates. The combined quota for savings banks, for example, is to be reduced from a past high of 70 percent of total deposits to 35 percent by 1983. The quotas for commercial banks and industrial banks will be lowered to 21 and 17 percent, respectively. Moreover, interest rates on state-directed loans have been allowed to rise. Rigid interest rate controls on other loans and deposits of more than two years were loosened in 1974. Last summer, the liberalization was extended to transactions of more than one year.

The Bank of Spain has been given wider powers to inspect banks and to take action to correct irregularities. New conflict-of-interest rules have been imposed to guarantee the independence of the Bank of Spain itself; past governors of the Bank have had very close ties with both government and industry.

The boldest move to increase competition in banking was the June decision to allow foreign banks into Spain for the first time since the Civil War of the 1930s. The government hopes competition from foreign banks will reduce the interest rates demanded of nonprivileged borrowers, make more money available to small firms and new industrial ventures, and generally upgrade banking services. Nevertheless, stringent terms—a high initial capital requirement and strict limits on repatriation of profits and dividends and on dealings in pesetas—are being applied to foreign banks to prevent a destabilizing increase in competition. Madrid is expected to sanction the establishment of eight to 10 foreign bank branches this year, giving preference to banks that are big lenders to Spain and banks based in trading partner countries. Banks from the United States, West Germany, the United Kingdom, France, Japan, and perhaps Switzerland should figure in the first round of approvals.

The presence of foreign banks will increase Spain's attractiveness to outside business firms, which have long been welcomed foreign firms on comparatively liberal terms. Last year the government streamlined bureaucratic procedures faced by international investors and reduced obstacles to expansion by foreign companies already in Spain. While domestic investment has been falling over the last four years, foreign direct investment rose sharply in 1977 and is headed for a record high in 1978. The United States is by far the largest single source.

19 October 1978

SECRET

23

SECRET

A comprehensive fiscal reform package now is moving through parliament. While the package includes guidelines on budget and accounting procedures, its heart is tax reform. Up to now, Spain has relied on a regressive tax system that has produced one of the lowest ratios of tax revenue to GNP in Western Europe. The system also has one of the lowest elasticities of revenue to GNP growth. Tax evasion by both individuals and firms is widespread. The new legislation will make direct taxes more progressive and initiate value-added taxation along EC lines. Tax auditing will be tightened, and prosecution of tax offenders will be toughened.

Madrid is moving to broaden the domestic capital market to improve the efficiency of the economy and reduce the need for would-be borrowers to resort to foreign financing. In the past, most firms have relied heavily on reinvested earnings and/or funds brought in from abroad. Fixed income instruments like bonds and mortgages have not been popular with suppliers of capital because of inflation, the inflexibility of interest rates, and low liquidity stemming from the absence of well-functioning secondary markets. Madrid is promoting development of the capital market by decontrolling interest rates, relaxing oppressive financial regulations, and moving away from state-direction of lending. The closer financial surveillance aimed at reducing tax evasion will help indirectly; in the past, many firms stayed out of the public capital market to avoid making financial disclosures that would have revealed tax liability. The anti-inflation program should have the side effect of making lending more attractive.

Looking Ahead

Gross public and private external borrowing is likely to grow only moderately over the next few years, with much being used to refinance existing debt. Several factors will hold down demand for foreign credit: current account deficits probably will stabilize near the present low level; prospects are bright for foreign investment in Spain; and the domestic capital market will expand gradually. Foreign reserves, now at a record high, will provide a big cushion.

Spain should have no difficulty raising funds abroad. While hope for a triple-A rating in the US bond market probably is premature, its creditworthiness is better now than at any time in many years and continues to improve. Annual debt service of \$3.3 billion to \$3.8 billion seems in prospect over the next three years. The debt service ratio probably will peak at a manageable 15 percent in 1979 and decline thereafter.

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IRAN: NUCLEAR/MILITARY PROGRAMS VICTIM TO POLITICAL UNREST

Tehran is being forced to reorder its economic priorities in light of continuing political unrest. The expensive nuclear power and military programs—traditionally most dear to the Shah and hitherto immune to cutbacks—are to bear the brunt of shifts in the allocation of resources. Although the decision has been made to free funds from these programs for rural development, improved transportation, and more social welfare projects, most of the cutbacks will not impact until the early 1980s. Indeed, in the short run both budget expenditures and the import bill will rise faster than expected previously because of substantial wage and fringe benefit increases granted to striking public sector workers.

Bread-and-butter issues apparently have been at the heart of the recent widespread labor unrest, and observers in Iran see the hand of the Shah's religious and political opposition acting behind the scenes to manipulate workers' grievances into mass political protest against the Shah. Neither the conservatives nor the militant leftists, who also participated in recent disorders, will take much solace from the government's acknowledgment that it now finds it expedient to reconsider long-term economic goals.

The Nuclear Program

Original Iranian plans called for construction of more than 20 nuclear power reactors with a total installed capacity of 23,000 MW by 1993. With the recent cutbacks, the nuclear power construction program apparently will be limited to two reactors now being built by the West Germans at Bushehr on the Persian Gulf and two more that the French have started on the Karun River. These four plants will provide 4,200 MW of capacity. The curtailment comes months after public calls by a member of Iran's OPEC delegation, a government consultant on energy matters, and others for a reevaluation of the program. Iranian officials also reportedly doubted the need for such an ambitious program but were afraid to tell the Shah of their views.

The nuclear reactor plan was based on an unrealistic estimate of Iran's future electric power requirements and was clearly unrealizable by 1993 even with massive foreign help. The power plan, calling for 56,000 MW of electric power capacity in place by the mid-1990s, was drawn up in 1974 in conjunction with the long-term development plan and while Tehran was experiencing the heady days of bountiful oil revenues. At that time, Iran was projecting an average annual growth rate of 31 percent in electricity consumption. Instead, annual consumption increases probably have been on the order of 19 percent, and Iran probably will be able to meet demand in the early 1990s with 25,000 to 28,000 MW of installed electric generating capacity.

19 October 1978

SECRET

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SECRET

Nevertheless, until recent weeks Tehran was proceeding with its nuclear power programs, and the Shah was continuing to push the concept of Iranian energy independence when the oil runs out. In addition to the four plants under construction, a letter of intent had been signed with a West German supplier for four more plants and negotiations for up to eight others were under way with French, US, and other Western suppliers. Thus far, the West German company has not received official notification of the cutback; it continues to work on site selection and related activities.

The Military Program

Iran's top military procurement official has told US officials that there will be changes and postponements in military equipment acquisition schedules. Tehran will not go ahead with the purchase of 140 additional F-16 and 70 additional F-14 fighter aircraft, which it has been pressing the US Government to approve. Iran also has decided to forego the purchase of other fighter aircraft and several hundred self-propelled howitzers, equipment for which US sellers had provided specifications and price offers that Iran was expected to accept.

Budget and Payment Implications

Former Prime Minister Amuzegar has estimated that the nuclear/military cutbacks as well as some whittling down of an ambitious petrochemical program could save the government some \$8 billion to \$10 billion. But such savings would not be felt in the short term when Iran will have to meet the costs of increased benefits promised public sector employees and may have to step up imports of consumer goods to mollify unhappy workers hit by resurgent inflation. Moreover, Tehran already is committed to pay out over the next five years an estimated \$6 billion to \$8 billion for the four nuclear reactors under construction and \$10 billion to \$11 billion in military equipment purchases from the United States.

Savings over the longer term could be substantial. Postponement or cancellation of sophisticated new military programs would save several billion dollars. Using gas, the most likely alternative to nuclear power, could result in considerable savings in investment costs. Although fuel costs for nuclear facilities generally are substantially below those for conventional power plants, the advantages are eliminated when capital charges, including interest costs, are taken into account. For instance, a 1,384 MW gas-fired power station commissioned in July 1978 cost just \$340 million, whereas the 1,200 MW nuclear plants under construction will cost Iran \$1.5 billion to \$2.0 billion each, and additional ones could have cost almost double that. Iran's gas reserves are so large—an estimated 600 trillion cubic feet—that substantial amounts should be available to produce electric power as long as 40 to 50 years, even after other priority requirements are met.*

* Other priority areas for the gas include injection in oilfields to extend their life, exports to the USSR—through a pipeline in operation since 1970 and a second to be completed in the early 1980s—and domestic household and industrial use.

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Notes

China Continues Expansion of Merchant Fleet

In the first nine months of this year, the People's Republic of China spent roughly \$500 million for more than 100 ships totaling 2.4 million deadweight tons, expanding its international merchant fleet * by 32 percent. Of this total, around 500,000 DWT have been assigned to the PRC-flag fleet, 385,000 DWT have been given to the Hong Kong fleet, and 1.5 million DWT have not yet been assigned to one of the fleets. The international fleet, making allowances for retirements and the comparatively minor additions from China's own yards, now totals about 8.4 million DWT, ranking approximately 15th among the world's merchant fleets. The Chinese have continued an aggressive buying policy begun in May of last year, which added 1.7 million DWT to the international fleet in 1977.

Bulk carriers for grain, ore, and fertilizer represent most of the new tonnage acquired in 1978. General cargo ships represent the second largest category of ships purchased. These latter ships are used in China's liner services ** to Western Europe, South Asia, and Japan. Manned by low-wage crews, they are becoming increasingly competitive in international shipping markets.

China has cautiously begun to purchase ships with more advanced maritime technology, notably containerships and roll-on/roll-off. As part of its 10-year (1976-85) development program, the government plans to modernize certain Chinese ports to handle these types of ships. To date we have seen few major port improvements along these lines. Ten second-hand Danish containerships and two roll-on/roll-off ships (one from Japan and one from Denmark) have been purchased in 1978.

25X1

Indian Floods Curtail Industrial Growth

Recent exceptionally heavy flooding of industrial areas in and near Calcutta is curtailing domestic industrial growth this year. Factories in parts of the states of West Bengal and Bihar, which together account for about a quarter of national manufacturing output, will be closed for several weeks. The flooding of mines may cost 7 million to 8 million tons of coal, about 7 percent of national production, with resulting cuts in electric power and steel output. The government is moving in scarce heavy-duty pumps from other parts of India to restore production in the eastern mines and is simultaneously pushing coal output in other parts of the country. New Delhi is also trying to speed up imports of coking coal from Canada and Australia under existing contracts calling for shipments totaling 1 million tons over the next year. However,

* For purposes of this note, China's international merchant fleet consists of (a) PRC-flag vessels and (b) ships assigned by Peking to its controlled shipping companies in Hong Kong.

** *Liner services* are scheduled services for the movement of small consignments of both general cargo and bulk goods on a fixed itinerary.

SECRET

port and rail facilities may not be able to handle imports rapidly enough to compensate for lost domestic production.

Losses in agriculture have proved far less severe. A quarter of the jute crop was damaged, which will reduce exports of manufactured jute goods. (Most of India's jute is produced in the areas hit by floods.)

Even before the flooding, industrial production was sluggish and New Delhi's 8-percent growth target for fiscal year 1979 (ending 31 March) seemed out of reach. Shortages of coal, cement, and some types of steel, together with continuing labor disputes and erratic electric power supplies limited industrial growth earlier in the year. As matters now stand, industrial growth in FY 1979 will probably be held to 4 to 5 percent, slightly better than in FY 1978 but less than half the 11-percent spurt in FY 1977. [REDACTED]

Soviet Official Hints at Bigger Grain Buy

[REDACTED] Viktor Pershin, Chairman of Eksporthleb, has said that the USSR could use the 15 million tons of grain offered by the United States at the bilateral grain consultations concluded last week and that any purchases over the 6-million-ton minimum set in the Long-Term Grain Agreement (LTA) would be corn. He also stated, however, that obtaining the necessary hard currency would be a problem. (On 12 October, the United States raised the maximum the USSR could buy for delivery during the current year of the LTA, October 1978-September 1979, without prior consultation from 8 million tons to 15 million tons, or about the same amount bought in the LTA year ending 30 September 1978.)

So far in the current LTA year, only 200,000 tons of wheat and 812,500 tons of corn have been registered with USDA. Trade rumors persist that considerably more has been bought. We believe a large portion of the 3.4 million tons of corn exports registered in the "unknown destination" category are ultimately destined, as in the past, to the USSR.

Unless the current harvest is substantially above our estimate, we continue to expect Moscow to purchase 15 million to 20 million tons of foreign grain for delivery this LTA year, reflecting in large part the anticipated needs of the livestock sector.

In the near term, Moscow is in a strong balance-of-payments position, and we therefore find it difficult to believe that the USSR cannot afford the \$2.0 billion to \$2.6 billion cost implied by our import projection. Pershin's comment regarding hard currency stringencies, if not merely a dig at US Commodity Credit Corporation credit policy, more likely reflects debate over how to allocate hard currency than immediate balance-of-payments problems. [REDACTED]

25X1

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National
Foreign
Assessment
Center

Economic Indicators Weekly Review

19 October 1978

*ER EI 78-042
19 October 1978*

Approved For Release 2004/07/28 : CIA-RDP80T00702A000900030002-7

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

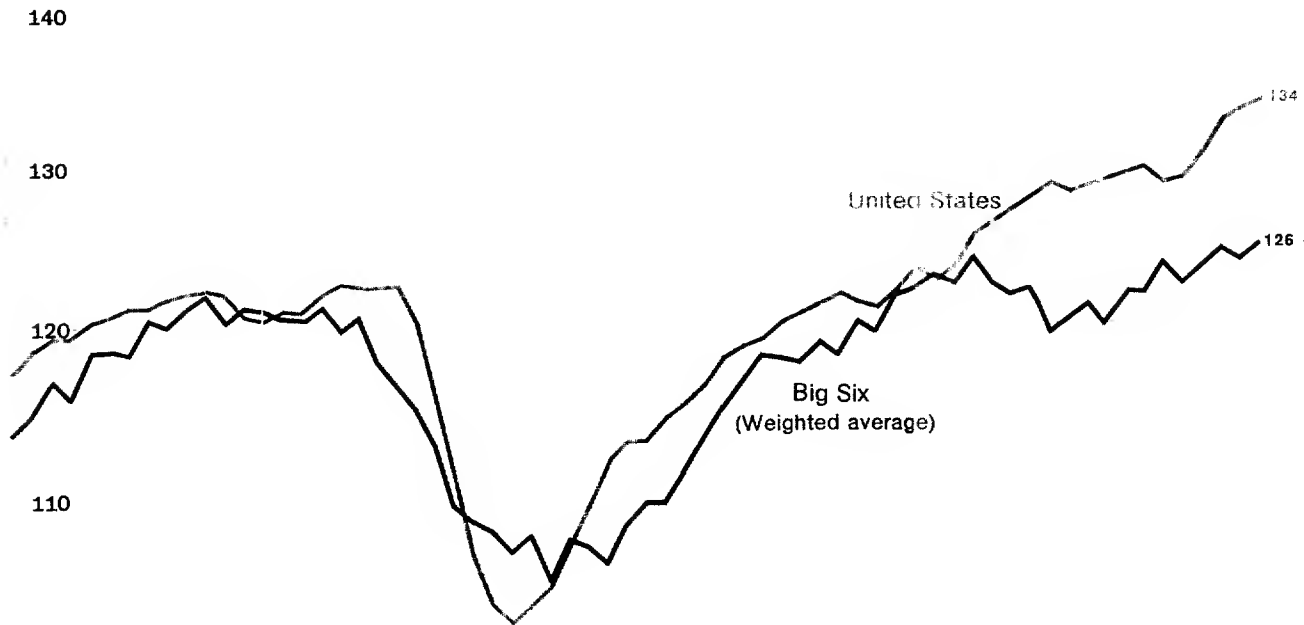
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES¹ COMPOSITE INDICATORS

Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

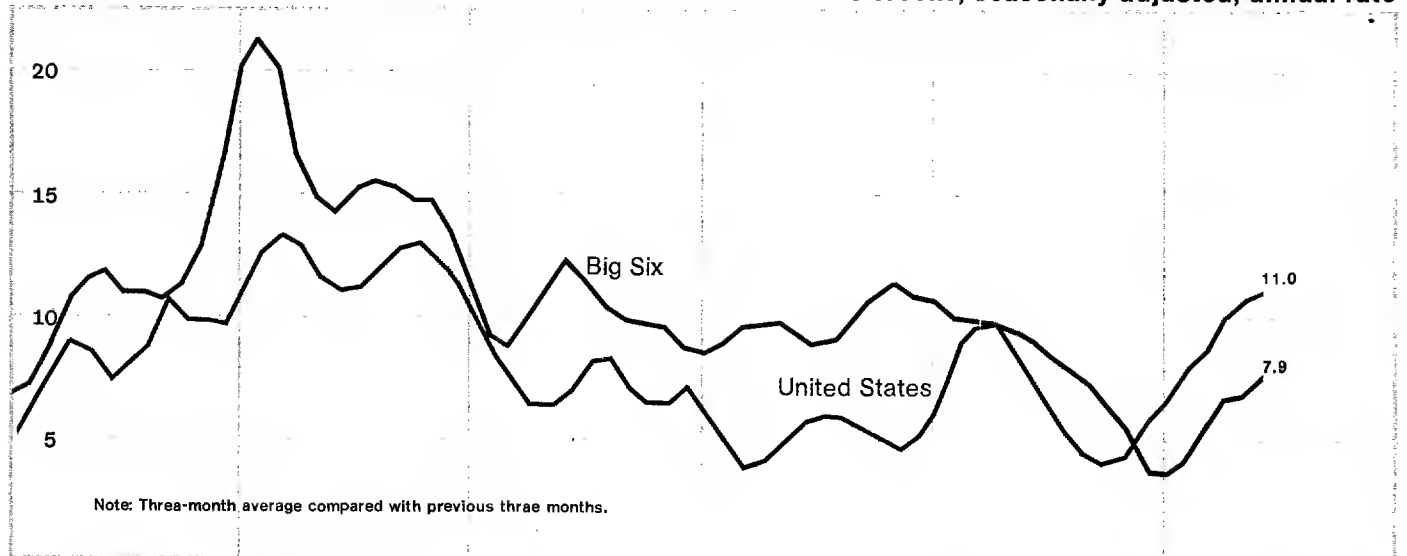
Percent



Note: Excluding data for Italy.

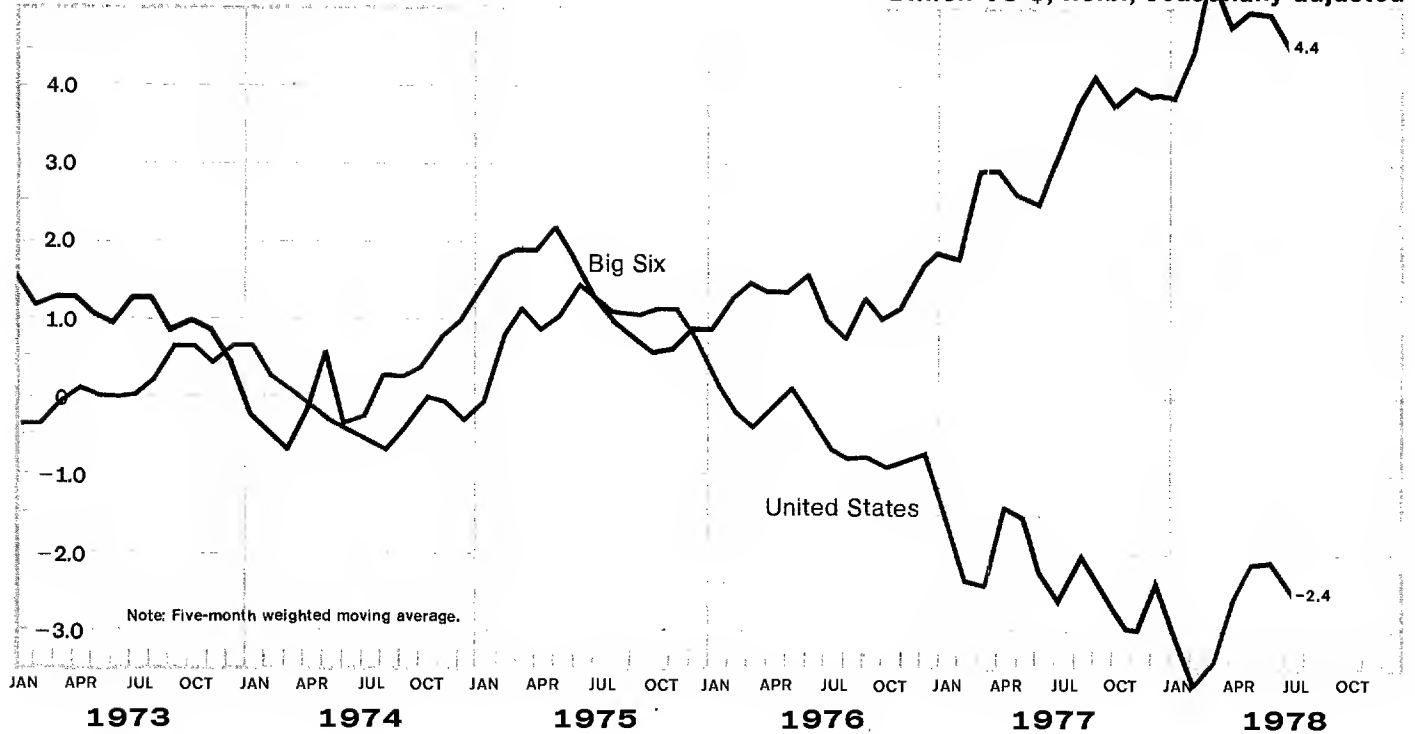
Consumer Price Inflation

Percent, seasonally adjusted, annual rate



Trade Balance

Billion US \$, f.o.b., seasonally adjusted

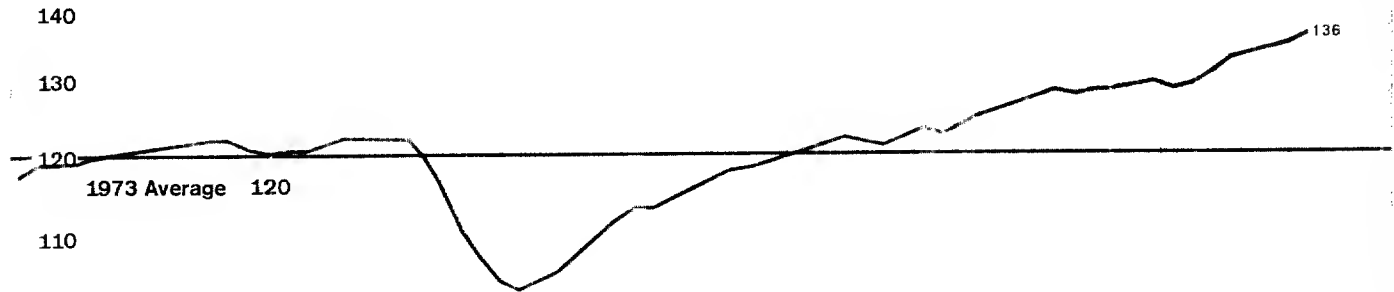


| | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE 1970 | | | Unemployment Rate | LATEST MONTH | 1 Year Earlier | 3 Months Earlier |
|-----------------------|--------------|------------------------------------|---------------------------------------|----------------|-------------------------------|-------------------|--------------|----------------|----------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² | | | | |
| Industrial Production | | | | | | Big Five | JUL 78 | 4.5 | 4.4 |
| Big Six | JUN 78 | 0.7 | 3.8 | 2.8 | 3.8 | United States | JUL 78 | 6.2 | 6.9 |
| United States | | | | | | | | | 6.0 |
| Consumer Prices* | | | | | | | LATEST MONTH | MILLION US \$ | CUMULATIVE (MILLION US \$) |
| Big Six | JUL 78 | 0.8 | 9.2 | 6.6 | 7.9 | Trade Balance | JUL 78 | 3,095 | 31,597 |
| United States | | | 6.8 | 7.7 | 11.0 | Big Six | JUL 78 | -2,987 | 16,184 |
| | | | | | | United States | JUL 78 | -19,355 | 15,413 |
| | | | | | | | | | -13,623 |
| | | | | | | | | | 5,732 |

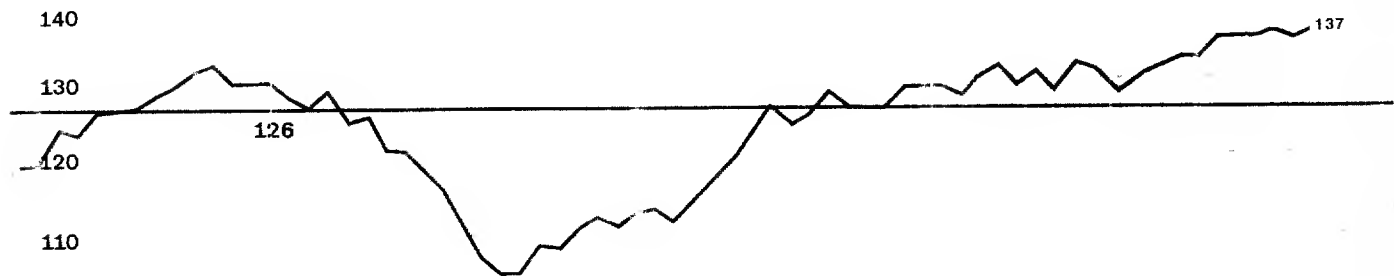
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

United States

Semilogarithmic Scale



Japan



West Germany

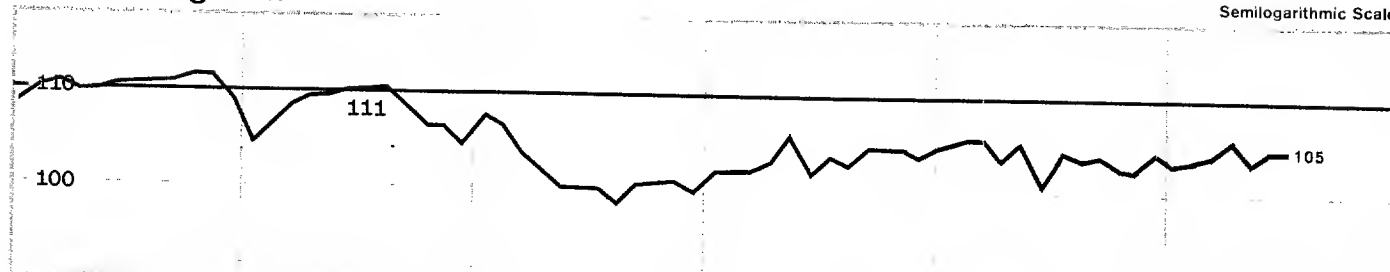


France

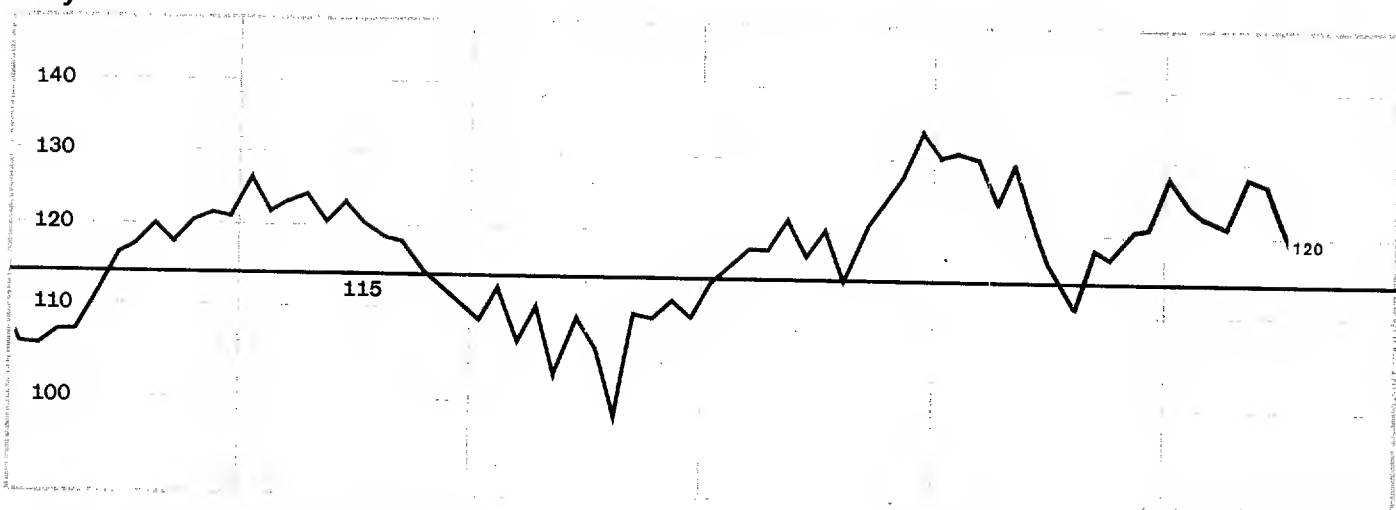


United Kingdom

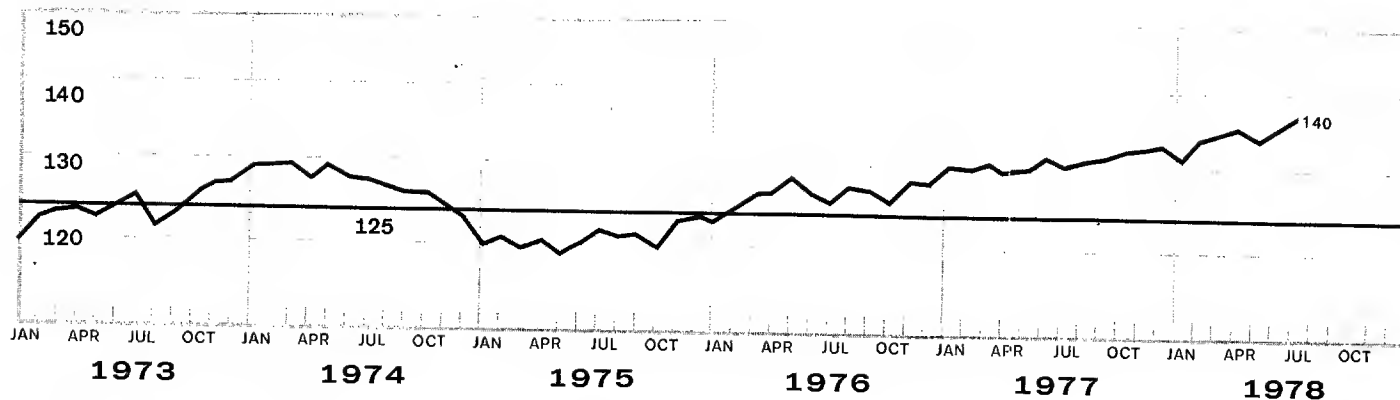
Semilogarithmic Scale



Italy



Canada



| | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE | | |
|---------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ¹ |
| United States | AUG 78 | 0.5 | 3.9 | 6.2 | 9.1 |
| Japan | AUG 78 | 0.8 | 4.0 | 5.5 | 1.3 |
| West Germany | JUL 78 | 3.4 | 2.5 | 6.1 | 9.5 |
| France | JUN 78 | -0.8 | 2.9 | -1.6 | 5.4 |

| | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ¹ |
| United Kingdom | JUL 78 | 0 | 0.6 | 0.5 | -0.1 |
| Italy | JUL 78 | -6.2 | 2.3 | 3.2 | 8.0 |
| Canada | JUL 78 | 1.1 | 4.2 | 5.4 | 3.0 |

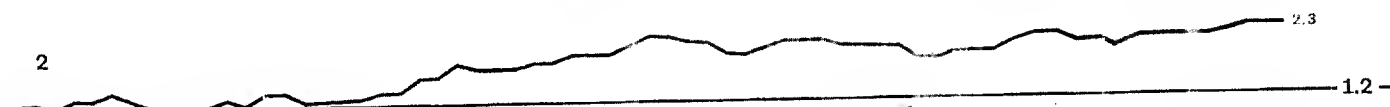
UNEMPLOYMENT RATE

PERCENT

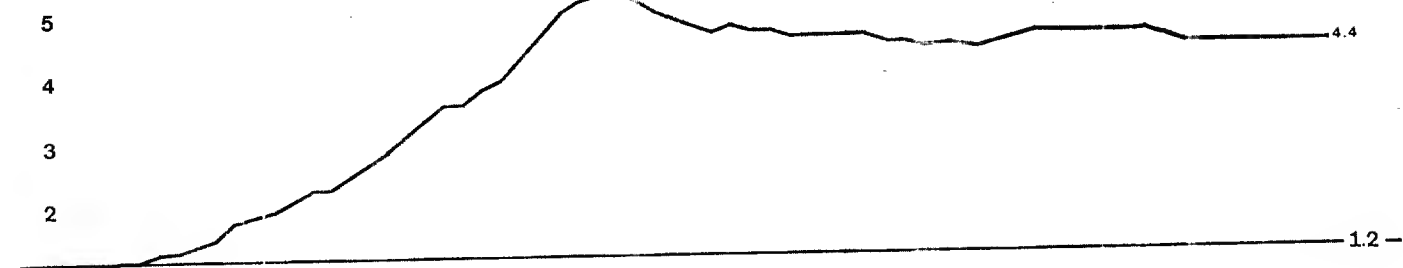
United States



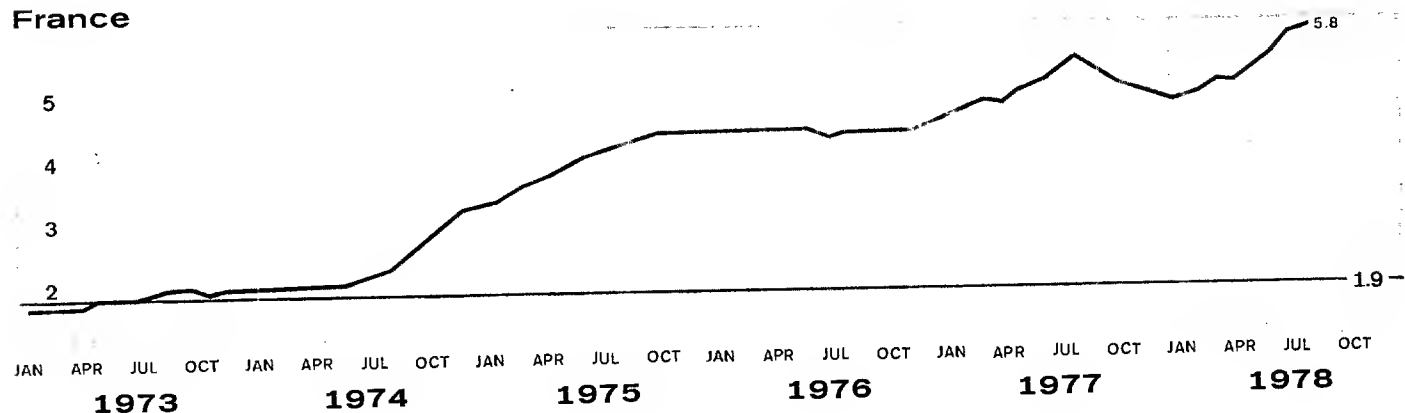
Japan



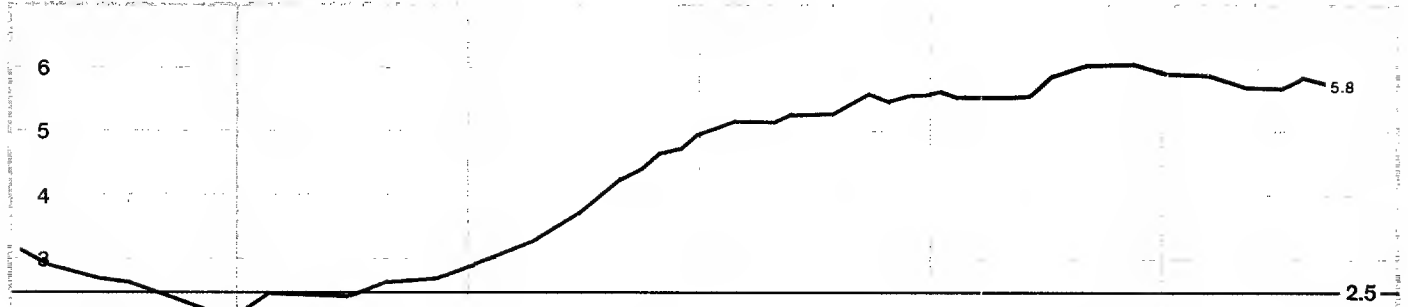
West Germany



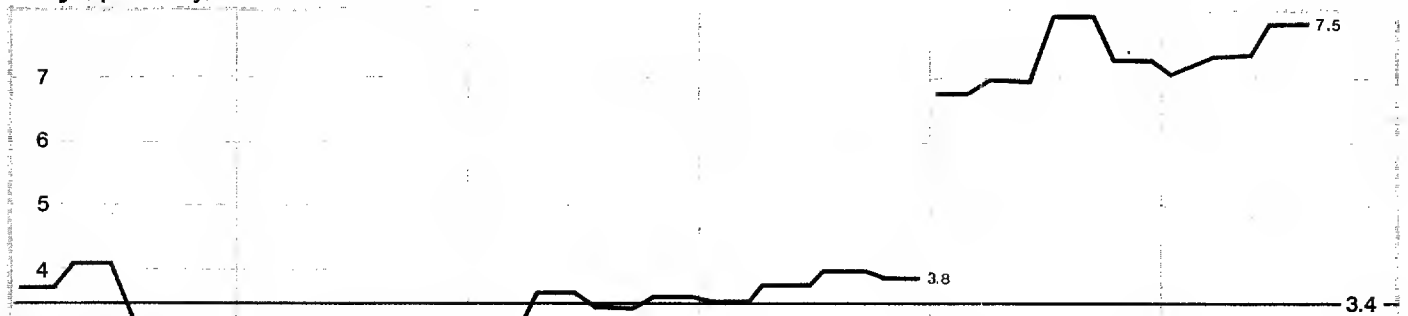
France



United Kingdom

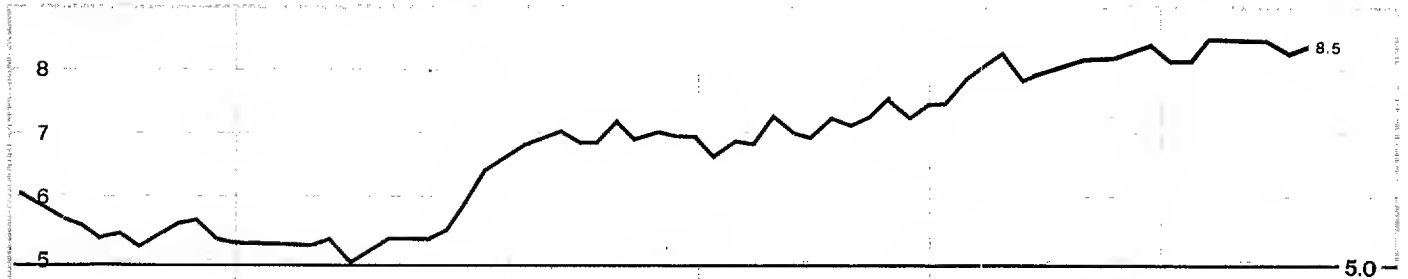


Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

THOUSANDS OF PERSONS UNEMPLOYED

| | | LATEST MONTH | 1 Year Earlier | 3 Months Earlier | | | LATEST MONTH | 1 Year Earlier | 3 Months Earlier |
|---------------|--------|--------------|----------------|------------------|----------------|--------|--------------|----------------|------------------|
| United States | SEP 78 | 6,002 | 6,668 | 5,754 | United Kingdom | SEP 78 | 1,378 | 1,435 | 1,365 |
| Japan | JUL 78 | 1,260 | 1,200 | 1,220 | Italy | 78 III | 1,658 | 1,692 | 1,455 |
| West Germany | SEP 78 | 986 | 1,035 | 986 | Canada | AUG 78 | 941 | 881 | 949 |
| France | AUG 78 | 1,277 | 1,174 | 1,132 | | | | | |

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

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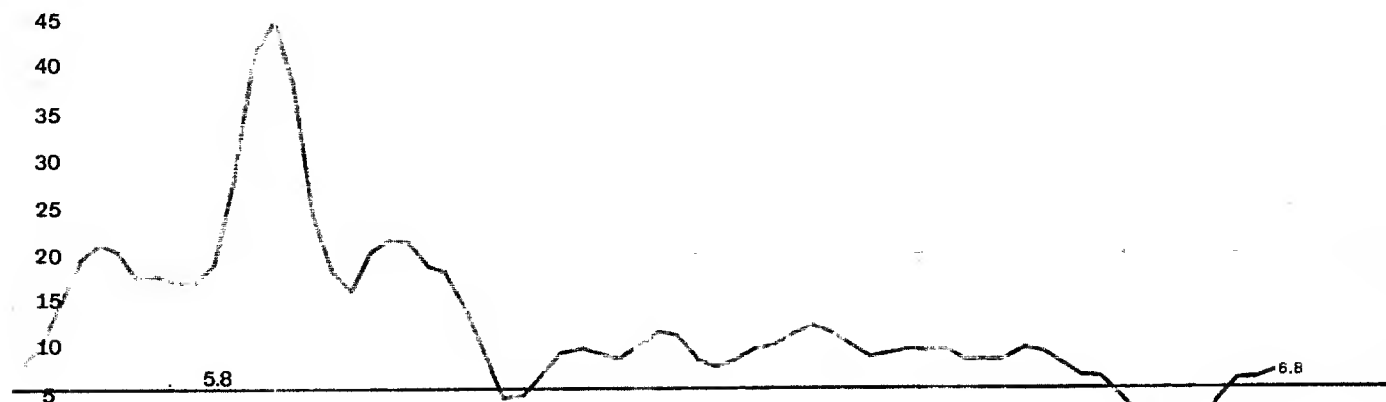
CONSUMER PRICE INFLATION

Percent, seasonally adjusted,
annual rate¹

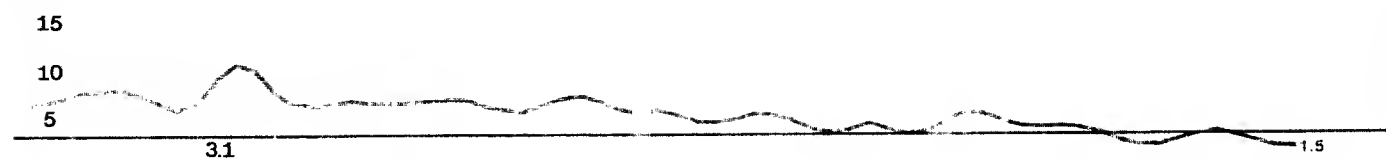
United States



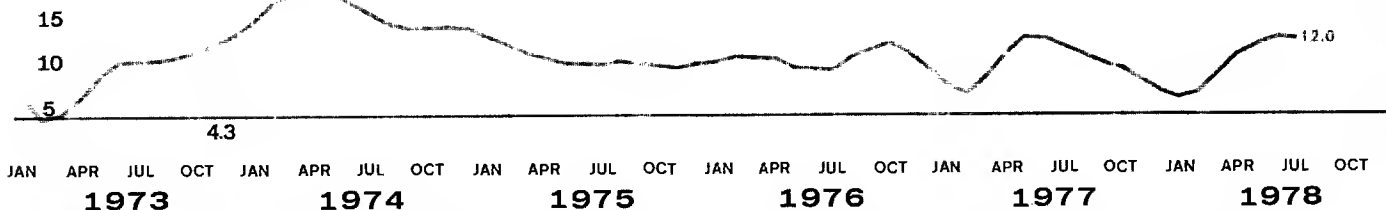
Japan



West Germany

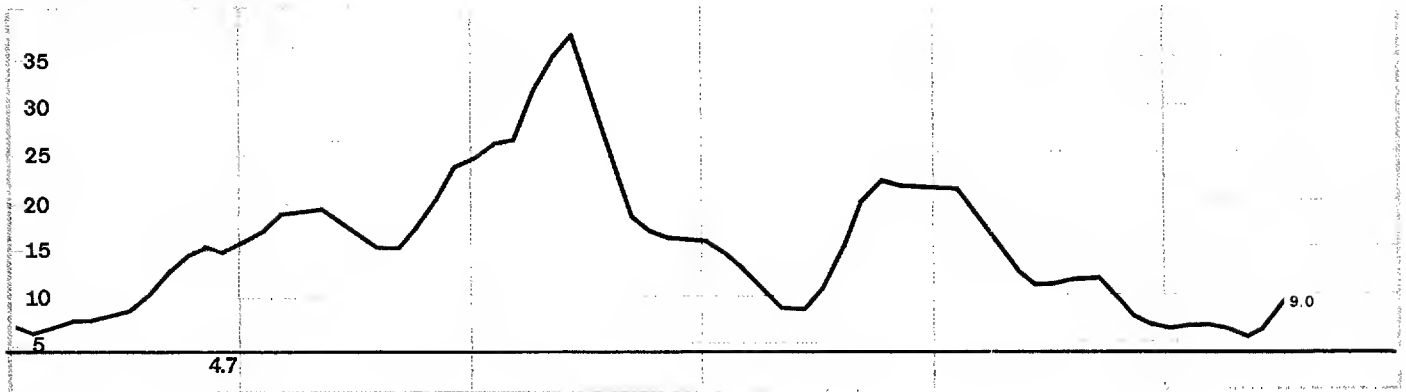


France

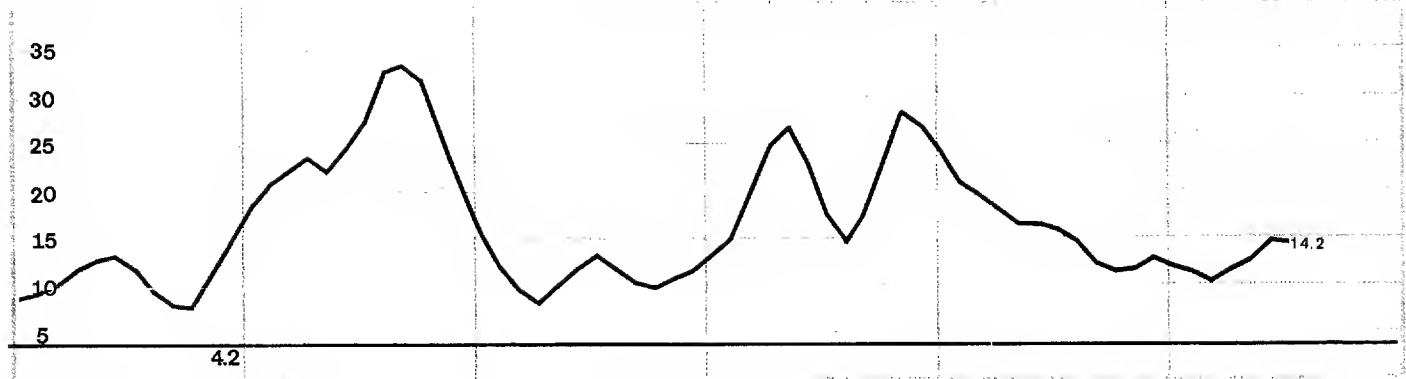


¹Three-month average compared with previous three months.

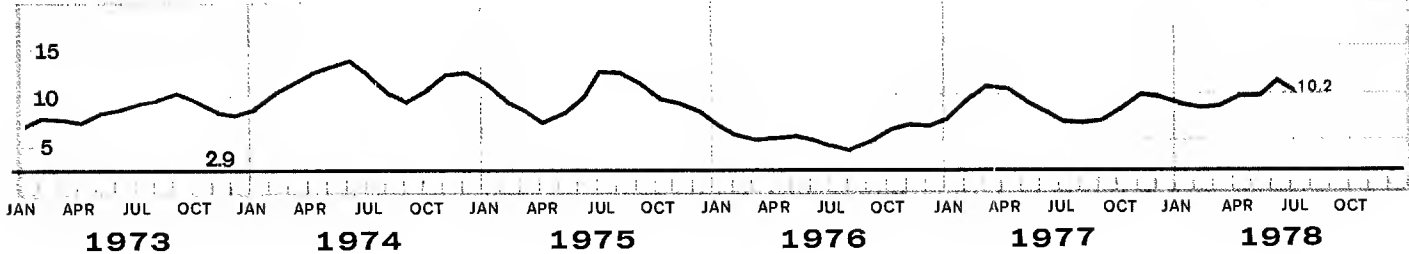
United Kingdom



Italy



Canada



| | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² |
| United States | AUG 78 | 0.5 | 6.7 | 7.9 | 10.1 |
| Japan | JUL 78 | 0.7 | 9.8 | 4.1 | 6.8 |
| West Germany | AUG 78 | 0.1 | 5.1 | 2.1 | 1.5 |
| France | AUG 78 | 0.7 | 9.1 | 9.4 | 12.0 |
| United Kingdom | AUG 78 | 1.4 | 13.2 | 8.0 | 9.0 |
| Italy | AUG 78 | 0.6 | 13.1 | 11.9 | 14.2 |
| Canada | AUG 78 | 0 | 7.7 | 9.4 | 10.2 |

²Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

GNP ¹

Constant Market Prices

| | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since | | |
|----------------|----------------|--------------------------------------|----------------------------------|----------------|------------------|
| | | | 1970 | 1 Year Earlier | Previous Quarter |
| | | | | | |
| United States | 78 II | 1.8 | 3.2 | 4.0 | 7.4 |
| Japan | 78 II | 1.1 | 5.4 | 5.3 | 4.4 |
| West Germany | 78 II | 2.1 | 2.7 | 4.2 | 8.8 |
| France | 78 I | 1.8 | 4.1 | 1.4 | 7.4 |
| United Kingdom | 77 IV | -0.5 | 1.6 | -1.1 | -1.9 |
| Italy | 78 I | 2.0 | 2.8 | -0.8 | 8.2 |
| Canada | 78 II | 1.1 | 4.7 | 3.7 | 4.5 |

¹ Seasonally adjusted.

RETAIL SALES ¹

Constant Prices

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² |
| | | | | | |
| United States | Jul 78 | -0.3 | 3.1 | 3.5 | 1.9 |
| Japan | Apr 78 | 4.0 | 9.9 | 4.3 | 24.8 |
| West Germany | Jun 78 | 1.6 | 2.6 | 3.3 | -3.2 |
| France | Jan 78 | 9.9 | 0 | 1.0 | 10.5 |
| United Kingdom | Aug 78 | 0.4 | 1.5 | 6.8 | 12.7 |
| Italy | May 78 | 12.1 | 3.5 | 3.5 | 12.1 |
| Canada | Jul 78 | -1.2 | 3.8 | 3.2 | -1.6 |

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT ¹

Nonresidential; constant prices

| | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since | | |
|----------------|----------------|--------------------------------------|----------------------------------|----------------|------------------|
| | | | 1970 | 1 Year Earlier | Previous Quarter |
| | | | | | |
| United States | 78 II | 3.6 | 3.0 | 7.4 | 15.1 |
| Japan | 78 I | 0.9 | 1.1 | -0.4 | 3.6 |
| West Germany | 78 II | -0.5 | 1.2 | 7.8 | -2.0 |
| France | 77 IV | 0.8 | 4.0 | 4.7 | 3.3 |
| United Kingdom | 78 I | 2.8 | 1.8 | 11.3 | 11.6 |
| Italy | 78 I | 2.3 | 1.1 | -19.6 | 9.4 |
| Canada | 78 II | 10.6 | 6.5 | 6.1 | 49.9 |

¹ Seasonally adjusted.

WAGES IN MANUFACTURING ¹

| | Latest Period | Percent Change from Previous Period | Average Annual Growth Rate Since | | |
|----------------|---------------|-------------------------------------|----------------------------------|----------------|-------------------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² |
| | | | | | |
| United States | Jul 78 | 1.2 | 7.6 | 7.6 | 6.8 |
| Japan | Apr 78 | 0.3 | 16.1 | 8.2 | 10.3 |
| West Germany | 78 I | 0.9 | 8.9 | 4.3 | 3.9 |
| France | 77 IV | 3.1 | 14.1 | 12.0 | 12.9 |
| United Kingdom | Jun 78 | 0.1 | 16.3 | 20.5 | 84.0 |
| Italy | Jun 78 | 0 | 20.1 | 15.5 | 13.8 |
| Canada | Jul 78 | 1.0 | 10.7 | 6.7 | 4.7 |

¹ Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

² Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

| | | | | Percent Rate of Interest | | |
|----------------------|-------------------------------------|-------------|-------|--------------------------|------------------|-----------------|
| Representative rates | | Latest Date | | 1 Year Earlier | 3 Months Earlier | 1 Month Earlier |
| United States | Commercial paper | Oct 11 | 8.83 | 6.43 | 7.88 | 8.30 |
| Japan | Call money | Oct 13 | 4.13 | 5.00 | 4.38 | 4.13 |
| West Germany | Interbank loans (3 months) | Oct 11 | 3.97 | 4.06 | 3.76 | 3.63 |
| France | Call money | Oct 13 | 7.00 | 8.38 | 7.63 | 7.38 |
| United Kingdom | Sterling interbank loans (3 months) | Oct 11 | 10.00 | 5.18 | 10.04 | 9.24 |
| Canada | Finance paper | Oct 11 | 9.36 | 7.09 | 8.24 | 8.96 |
| Eurodollars | Three-month deposits | Oct 11 | 9.74 | 7.19 | 8.58 | 8.85 |

EXPORT PRICES US \$

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|-----------------|--|-------------------------------------|-------------------|---------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier |
| | | | | | |
| United States | Jul 78 | -0.4 | 9.6 | 9.5 | 15.7 |
| Japan | Jul 78 | 1.2 | 11.7 | 27.0 | 39.1 |
| West Germany | Jun 78 | 1.7 | 11.5 | 12.9 | -4.0 |
| France | Jun 78 | 2.2 | 11.5 | 13.6 | 7.8 |
| United Kingdom | Aug 78 | 3.5 | 12.2 | 20.9 | 38.7 |
| Italy | Jun 78 | 0.5 | 10.8 | 8.1 | 2.7 |
| Canada | Jun 78 | -0.3 | 8.3 | 1.9 | 5.0 |

EXPORT PRICES National Currency

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|-----------------|--|-------------------------------------|-------------------|---------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier |
| | | | | | |
| United States | Jul 78 | -0.4 | 9.6 | 9.5 | 15.7 |
| Japan | Jul 78 | -5.8 | 3.8 | -4.3 | -8.8 |
| West Germany | Jun 78 | 0.7 | 3.9 | -0.1 | 4.9 |
| France | Jun 78 | 0.6 | 8.8 | 5.3 | -2.8 |
| United Kingdom | Aug 78 | 1.0 | 15.1 | 8.4 | 6.9 |
| Italy | Jun 78 | -0.8 | 15.3 | 4.9 | 4.6 |
| Canada | Jun 78 | -0.3 | 9.2 | 7.7 | 2.2 |

IMPORT PRICES National Currency

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|----------------|-----------------|--|-------------------------------------|-------------------|---------------------|
| | | | 1970 | 1 Year Earlier | 3 Months Earlier |
| | | | | | |
| United States | Jul 78 | 0.6 | 12.6 | 7.3 | 2.9 |
| Japan | Jul 78 | -6.6 | 5.8 | -20.9 | -22.7 |
| West Germany | Jun 78 | -1.6 | 3.0 | -5.9 | -12.5 |
| France | Jun 78 | -0.6 | 9.1 | 0.2 | -9.1 |
| United Kingdom | Aug 78 | -0.1 | 17.2 | 3.0 | 5.0 |
| Italy | Jun 78 | -0.7 | 18.7 | 1.8 | 2.4 |
| Canada | Jun 78 | -0.2 | 9.5 | 11.7 | 13.9 |

OFFICIAL RESERVES

| | Latest Month | | Billion US \$ | | |
|----------------|--------------|---------------|---------------|-------------------|---------------------|
| | End of | Billion US \$ | Jun 1970 | 1 Year Earlier | 3 Months Earlier |
| | | | | | |
| United States | Jun 78 | 18.9 | 14.5 | 19.2 | 19.2 |
| Japan | Aug 78 | 29.2 | 4.1 | 17.8 | 27.7 |
| West Germany | Jul 78 | 41.1 | 8.8 | 35.1 | 41.3 |
| France | Apr 78 | 10.6 | 4.4 | 10.0 | 10.2 |
| United Kingdom | Jul 78 | 17.6 | 2.8 | 13.6 | 17.7 |
| Italy | Aug 78 | 14.9 | 4.7 | 10.5 | 12.2 |
| Canada | Aug 78 | 4.2 | 9.1 | 4.8 | 4.7 |

CURRENT ACCOUNT BALANCE ¹

| | Latest Period | Cumulative (Million US \$) | | | |
|----------------------------|------------------|----------------------------|--------|--------|--------|
| | | Million US \$ | 1978 | 1977 | Change |
| United States ² | 78 I | -6,954 | -6,954 | -4,158 | -2,796 |
| Japan | Jul 78 | 2,050 | 10,879 | 4,630 | 6,249 |
| West Germany | Jul 78 | -868 | 2,831 | 1,406 | 1,425 |
| France | 78 I | -84 | -84 | -1,628 | 1,543 |
| United Kingdom | 78 I | -803 | -803 | -896 | 94 |
| Italy | 78 I | 288 | 288 | -1,025 | 1,313 |
| Canada | 78 II | -1,201 | -2,381 | -2,658 | 277 |

¹ Converted to US dollars at the current market rates of exchange.

² Seasonally adjusted.

BASIC BALANCE ¹

Current Account and Long-Term Capital Transactions Cumulative (Million US \$)

| | Latest Period | Cumulative (Million US \$) | | | |
|----------------|------------------|-----------------------------------|-------|--------|--------|
| | | Million US \$ | 1978 | 1977 | Change |
| United States | | Not longer published ² | | | |
| Japan | Jul 78 | 650 | 6,231 | 3,513 | 2,718 |
| West Germany | Jul 78 | -881 | 1,915 | -2,363 | 4,278 |
| France | 78 I | -863 | -863 | -1,889 | 1,025 |
| United Kingdom | 78 I | -326 | -326 | 543 | -869 |
| Italy | 77 III | 2,427 | N.A. | N.A. | N.A. |
| Canada | 78 II | 883 | 327 | -557 | 884 |

¹ Converted to US dollars at the current market rates of exchange.

² As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate

As of 13 Oct 78

| | US \$ Per Unit | Percent Change from | | | |
|------------------------------------|-------------------|---------------------|-------------------|---------------------|----------|
| | | 19 Mar 73 | 1 Year Earlier | 3 Months Earlier | 6 Oct 78 |
| | | | | | |
| Japan (yen) | 0.0054 | 40.25 | 38.43 | 8.05 | 0.49 |
| West Germany (Deutsche mark) | 0.5368 | 51.00 | 22.90 | 10.15 | 2.47 |
| France (franc) | 0.2351 | 5.94 | 14.44 | 4.17 | 1.03 |
| United Kingdom (pound sterling) | 1.9825 | -19.81 | 12.73 | 3.71 | 0.08 |
| Italy (lira) | 0.0012 | -30.19 | 8.28 | 3.89 | 0.74 |
| Canada (dollar) | 0.8450 | -15.78 | -8.07 | -4.97 | -0.20 |

TRADE-WEIGHTED EXCHANGE RATES ¹

As of 13 Oct 78

| | Percent Change from | | | |
|----------------|---------------------|-------------------|---------------------|----------|
| | 19 Mar 73 | 1 Year Earlier | 3 Months Earlier | 6 Oct 78 |
| | | | | |
| United States | -4.03 | -9.52 | -2.44 | -0.60 |
| Japan | 42.81 | 33.44 | 6.59 | 0.14 |
| West Germany | 34.51 | 6.10 | 3.58 | 1.11 |
| France | -10.66 | -2.91 | -3.22 | -0.62 |
| United Kingdom | -29.71 | -0.76 | -1.71 | -1.19 |
| Italy | -42.91 | -7.32 | -2.60 | -0.77 |
| Canada | -17.56 | -11.77 | -6.25 | -0.40 |

¹ Weighting is based on each listed country's trade with 16 other industrialized countries to which the monthly index of exchange rate variations among the major currencies.

| Developed Countries: Direction of Trade ¹ | | | | | | |
|--|---------------------|-----------|------------|-------|-----------|-------|
| | Billion US \$ | | | | | |
| | Exports to (f.o.b.) | | | | | |
| | World | Big Seven | Other OECD | OPEC | Communist | Other |
| UNITED STATES | | | | | | |
| 1975 | 107.65 | 46.94 | 16.25 | 10.77 | 3.37 | 29.82 |
| 1976 | 115.01 | 51.30 | 17.68 | 12.57 | 3.64 | 29.44 |
| 1977 | 120.17 | 53.92 | 18.53 | 14.02 | 2.72 | 30.98 |
| 1978 | | | | | | |
| 1st Qtr | 30.94 | 13.65 | 4.60 | 3.76 | 1.00 | 7.93 |
| Apr | 12.06 | 5.40 | 1.68 | 1.38 | 0.42 | 3.17 |
| JAPAN | | | | | | |
| 1975 | 55.73 | 16.56 | 6.07 | 8.42 | 5.16 | 15.87 |
| 1976 | 67.32 | 22.61 | 8.59 | 9.27 | 4.93 | 17.84 |
| 1977 | 81.11 | 28.02 | 9.73 | 12.03 | 5.32 | 26.01 |
| 1978 | | | | | | |
| 1st Qtr | 22.11 | 7.83 | 2.39 | 3.35 | 1.32 | 7.22 |
| Apr | 7.89 | 2.80 | 0.80 | 1.19 | 0.57 | 2.53 |
| WEST GERMANY | | | | | | |
| 1975 | 91.70 | 28.33 | 36.44 | 6.78 | 8.81 | 11.05 |
| 1976 | 103.63 | 33.44 | 41.86 | 8.25 | 8.72 | 11.04 |
| 1977 | 119.28 | 39.01 | 48.00 | 10.78 | 8.59 | 12.90 |
| 1978 | | | | | | |
| 1st Qtr | 32.45 | 11.17 | 13.05 | 2.76 | 1.97 | 3.50 |
| FRANCE | | | | | | |
| 1975 | 52.87 | 20.00 | 15.50 | 4.90 | 3.13 | 8.61 |
| 1976 | 57.05 | 22.49 | 16.15 | 5.08 | 3.23 | 8.75 |
| 1977 | 65.00 | 25.90 | 18.19 | 5.97 | 3.00 | 11.94 |
| 1978 | | | | | | |
| 1st Qtr | 18.49 | 7.66 | 5.07 | 1.57 | 0.66 | 3.53 |
| Apr | 6.74 | 2.82 | 1.90 | 0.56 | 0.28 | 1.18 |
| UNITED KINGDOM | | | | | | |
| 1975 | 44.03 | 12.55 | 16.59 | 4.55 | 1.56 | 8.64 |
| 1976 | 46.12 | 14.03 | 17.53 | 5.13 | 1.39 | 7.92 |
| 1977 | 57.44 | 16.99 | 22.56 | 6.78 | 1.63 | 9.48 |
| 1978 | | | | | | |
| 1st Qtr | 16.86 | 5.09 | 6.27 | 2.03 | 0.55 | 2.92 |
| Apr | 5.75 | 1.73 | 2.19 | 0.74 | 0.18 | 0.91 |
| ITALY | | | | | | |
| 1975 | 34.82 | 15.61 | 7.86 | 3.72 | 2.46 | 4.67 |
| 1976 | 36.96 | 17.41 | 8.69 | 4.23 | 2.18 | 3.96 |
| 1977 | 45.04 | 20.92 | 10.20 | 5.85 | 2.45 | 5.62 |
| 1978 | | | | | | |
| 1st Qtr | 10.80 | 5.25 | 2.37 | 1.37 | 0.48 | 1.33 |
| CANADA | | | | | | |
| 1975 | 33.84 | 26.30 | 1.73 | 0.71 | 1.20 | 2.00 |
| 1976 | 40.18 | 32.01 | 2.03 | 0.81 | 1.25 | 2.09 |
| 1977 | 42.98 | 34.77 | 2.13 | 0.94 | 1.06 | 4.08 |
| 1978 | | | | | | |
| 1st Qtr | 10.75 | 8.78 | 0.55 | 0.23 | 0.22 | 0.97 |
| Apr | 4.20 | 3.44 | 0.16 | 0.08 | 0.07 | 0.45 |

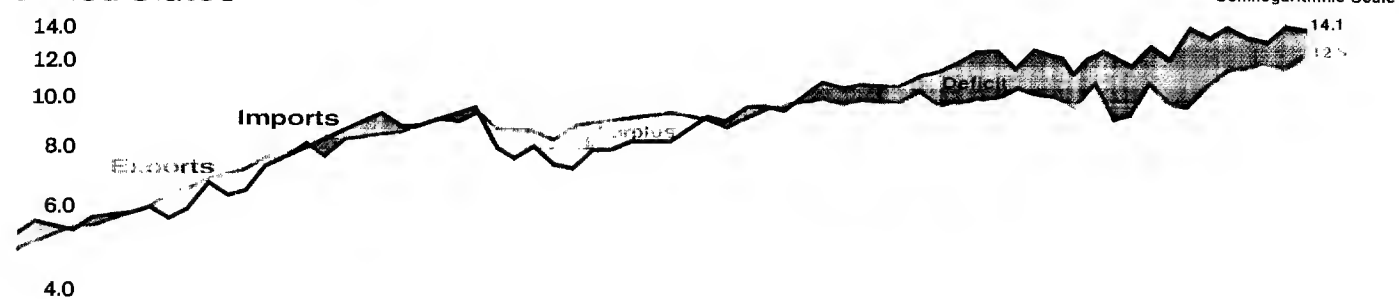
¹ Source: International Monetary Fund, Direction of Trade.

| Developed Countries: Direction of Trade ¹ | | | | | | |
|--|-----------------------|-----------|------------|-------|-----------|-------|
| | Billion US \$ | | | | | |
| | Imports from (c.i.f.) | | | | | |
| | World | Big Seven | Other OECD | OPEC | Communist | Other |
| UNITED STATES | | | | | | |
| 1975 | 103.42 | 49.81 | 8.83 | 18.70 | 0.98 | 25.08 |
| 1976 | 129.57 | 60.39 | 9.75 | 27.17 | 1.16 | 31.09 |
| 1977 | 156.70 | 70.48 | 11.08 | 35.45 | 1.22 | 38.47 |
| 1978 | | | | | | |
| 1st Qtr | 43.14 | 20.39 | 3.51 | 8.15 | 0.47 | 10.62 |
| Apr | 15.42 | 7.54 | 1.27 | 2.73 | 0.18 | 3.70 |
| JAPAN | | | | | | |
| 1975 | 57.85 | 16.93 | 6.08 | 19.40 | 3.36 | 12.05 |
| 1976 | 64.89 | 17.58 | 7.78 | 21.88 | 2.91 | 14.72 |
| 1977 | 71.33 | 18.87 | 7.93 | 24.33 | 3.41 | 16.79 |
| 1978 | | | | | | |
| 1st Qtr | 18.32 | 5.04 | 2.06 | 6.46 | 0.87 | 3.89 |
| Apr | 6.28 | 1.64 | 0.74 | 2.01 | 0.36 | 1.53 |
| WEST GERMANY | | | | | | |
| 1975 | 76.28 | 27.09 | 27.78 | 8.24 | 4.87 | 8.21 |
| 1976 | 89.68 | 31.28 | 32.64 | 9.73 | 5.93 | 10.01 |
| 1977 | 102.63 | 36.38 | 37.37 | 10.12 | 6.14 | 12.62 |
| 1978 | | | | | | |
| 1st Qtr | 28.24 | 10.11 | 10.88 | 2.32 | 1.39 | 3.54 |
| FRANCE | | | | | | |
| 1975 | 53.99 | 23.04 | 14.33 | 9.43 | 1.94 | 5.21 |
| 1976 | 64.38 | 27.81 | 16.93 | 11.36 | 2.24 | 6.01 |
| 1977 | 70.50 | 30.28 | 18.24 | 11.82 | 2.46 | 7.70 |
| 1978 | | | | | | |
| 1st Qtr | 19.76 | 8.58 | 5.40 | 3.05 | 0.64 | 2.09 |
| Apr | 6.79 | 3.02 | 1.84 | 1.00 | 0.23 | 0.70 |
| UNITED KINGDOM | | | | | | |
| 1975 | 53.35 | 18.47 | 18.52 | 6.91 | 1.68 | 7.67 |
| 1976 | 55.56 | 19.66 | 18.81 | 7.29 | 2.08 | 7.65 |
| 1977 | 63.29 | 24.02 | 21.34 | 6.31 | 2.40 | 9.22 |
| 1978 | | | | | | |
| 1st Qtr | 18.87 | 7.44 | 6.68 | 1.80 | 0.55 | 2.40 |
| Apr | 5.67 | 2.27 | 2.04 | 0.39 | 0.16 | 0.81 |
| ITALY | | | | | | |
| 1975 | 38.36 | 17.32 | 6.75 | 7.85 | 2.09 | 4.34 |
| 1976 | 43.42 | 19.35 | 8.04 | 8.12 | 2.65 | 5.24 |
| 1977 | 47.56 | 20.80 | 8.67 | 9.03 | 2.80 | 6.26 |
| 1978 | | | | | | |
| 1st Qtr | 11.26 | 5.03 | 2.10 | 2.18 | 0.51 | 1.44 |
| CANADA | | | | | | |
| 1975 | 38.59 | 29.78 | 1.70 | 3.43 | 0.32 | 2.02 |
| 1976 | 43.05 | 33.55 | 1.82 | 3.48 | 0.38 | 2.56 |
| 1977 | 44.67 | 35.67 | 1.77 | 3.05 | 0.33 | 3.85 |
| 1978 | | | | | | |
| 1st Qtr | 10.80 | 8.60 | 0.44 | 0.77 | 0.08 | 0.91 |
| Apr | 4.61 | 3.84 | 0.18 | 0.03 | 0.19 | 0.37 |

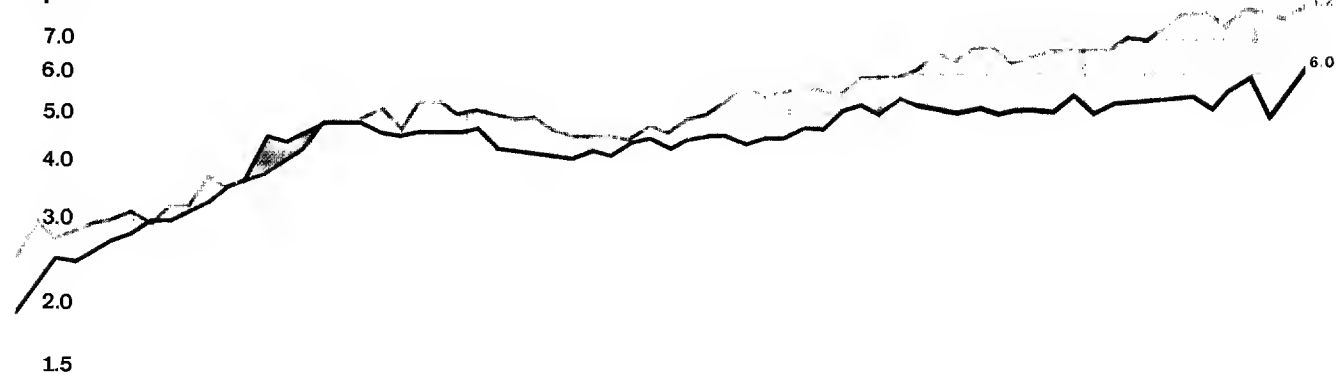
¹ Source: International Monetary Fund, Direction of Trade.

FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

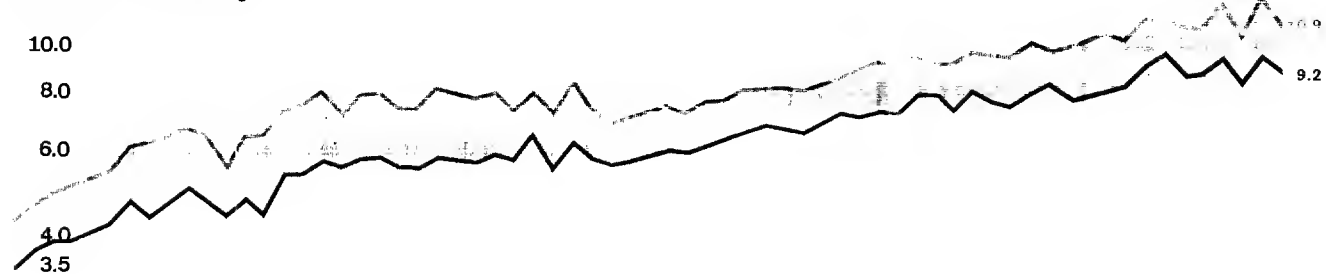
United States



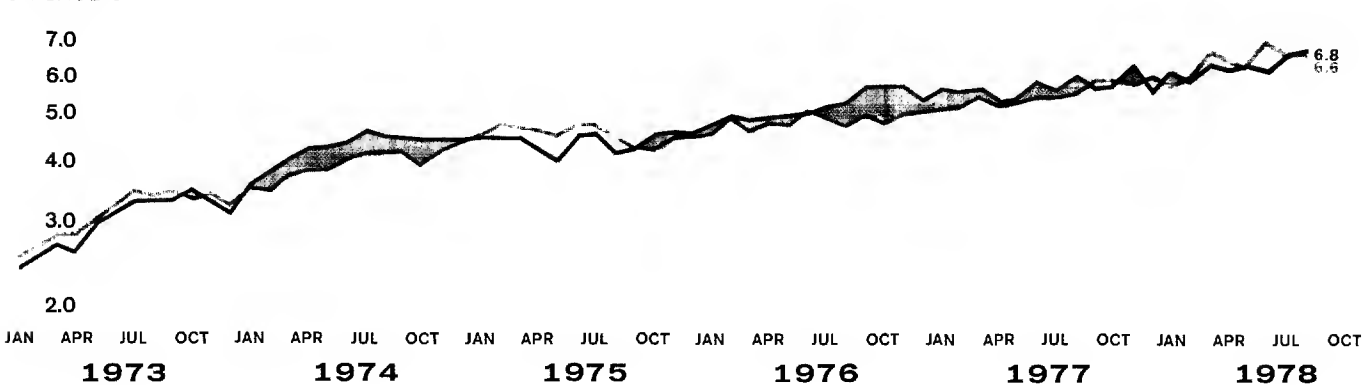
Japan



West Germany

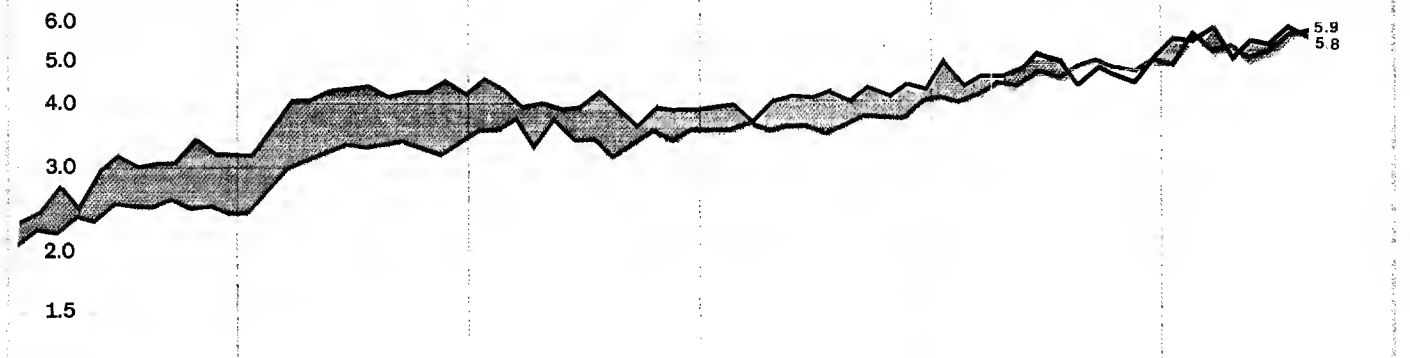


France

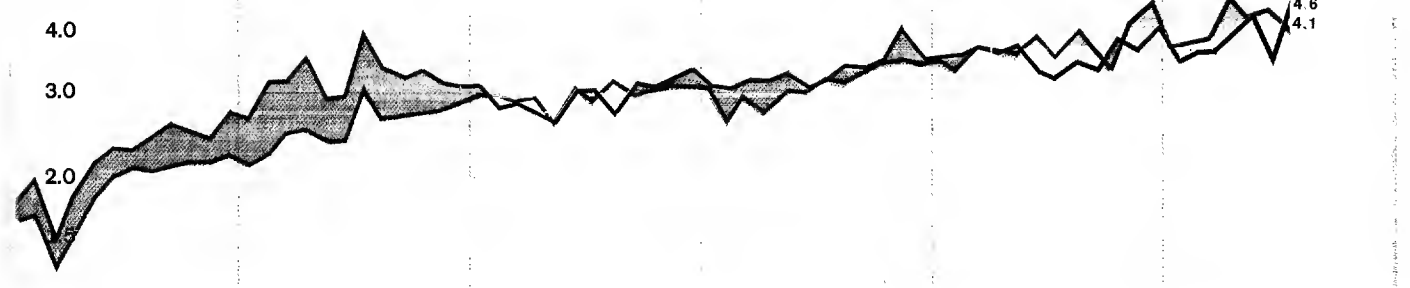


United Kingdom

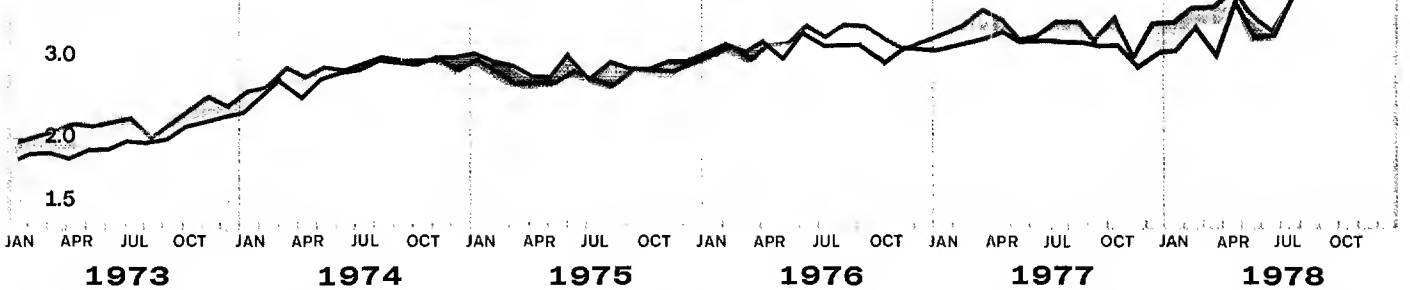
Semilogarithmic Scale



Italy



Canada



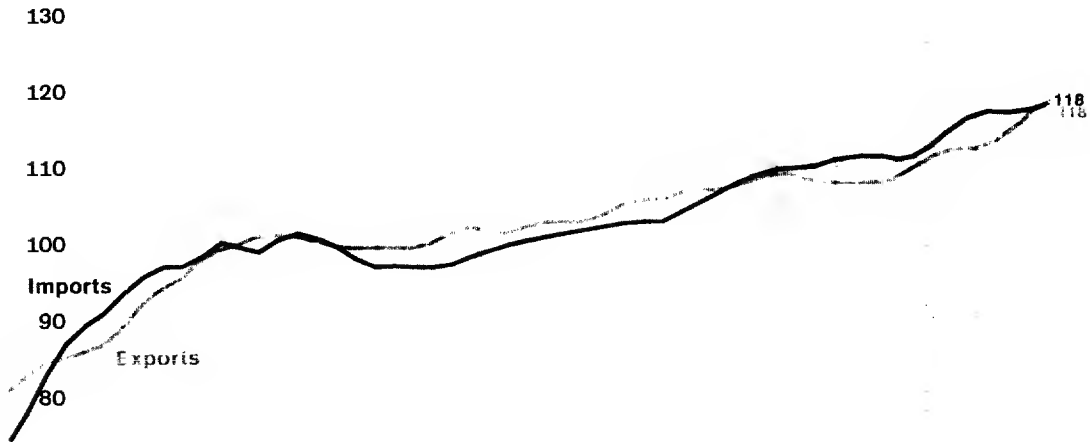
| | LATEST MONTH | MILLION US \$ | CUMULATIVE (MILLION US \$) | | | | LATEST MONTH | MILLION US \$ | CUMULATIVE (MILLION US \$) | | |
|---------------|--------------|---------------|----------------------------|---------|--------|----------------|--------------|---------------|----------------------------|--------|--------|
| | | | 1978 | 1977 | CHANGE | | | | 1978 | 1977 | CHANGE |
| United States | AUG 78 | 12,469 | 90,625 | 80,316 | 12.8% | United Kingdom | AUG 78 | 5,865 | 43,965 | 36,250 | 21.3% |
| | | 14,090 | 111,601 | 96,366 | 15.8% | | | 5,752 | 45,474 | 39,281 | 15.8% |
| | Balance | -1,621 | -20,976 | -16,050 | -4,926 | | Balance | 113 | -1,509 | -3,031 | 1,522 |
| Japan | AUG 78 | 8,146 | 62,499 | 51,820 | 20.6% | Italy | JUL 78 | 4,096 | 28,849 | 25,115 | 14.9% |
| | | 6,023 | 43,994 | 41,055 | 7.2% | | | 4,626 | 27,456 | 25,501 | 7.7% |
| | Balance | 2,123 | 18,505 | 10,765 | 7,740 | | Balance | -529 | 1,394 | -386 | 1,780 |
| West Germany | JUL 78 | 10,890 | 78,259 | 66,376 | 17.9% | Canada | JUL 78 | 3,985 | 26,467 | 24,385 | 8.5% |
| | | 9,203 | 64,604 | 55,039 | 17.4% | | | 4,145 | 25,037 | 23,352 | 7.2% |
| | Balance | 1,687 | 13,655 | 11,337 | 2,318 | | Balance | -160 | 1,430 | 1,033 | 397 |
| France | | 6,598 | 50,854 | 41,993 | 21.1% | | | | | | |
| | AUG 78 | 6,842 | 50,735 | 44,401 | 14.3% | | | | | | |
| | Balance | -244 | 119 | -2,409 | 2,527 | | | | | | |

577563 10-78

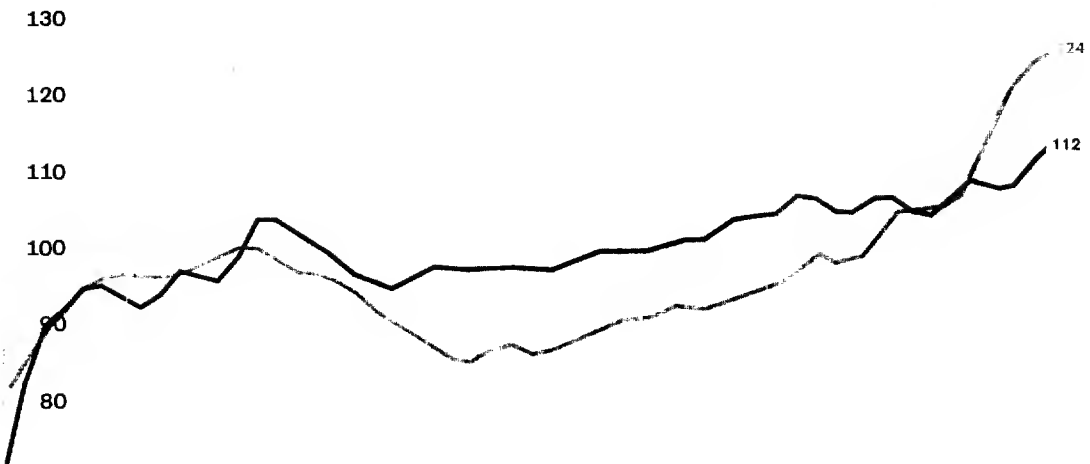
FOREIGN TRADE PRICES IN US \$¹

United States

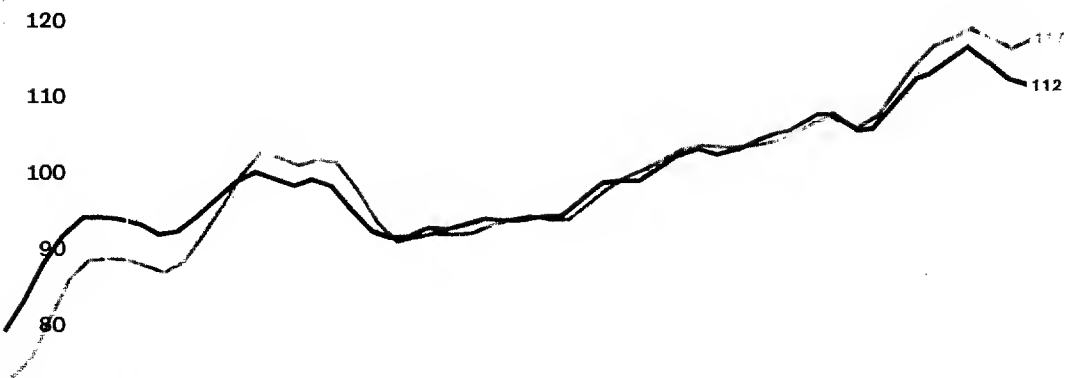
INDEX: JAN 1975 = 100



Japan



West Germany



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

1974

1975

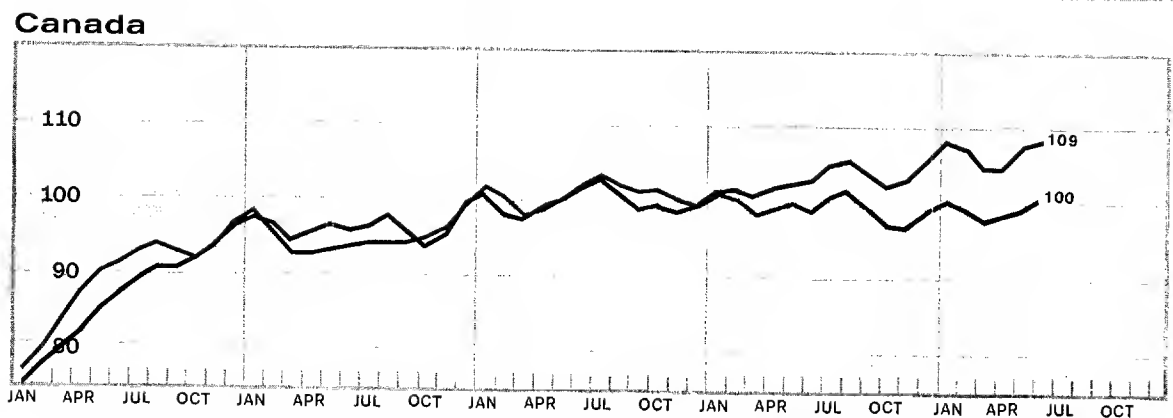
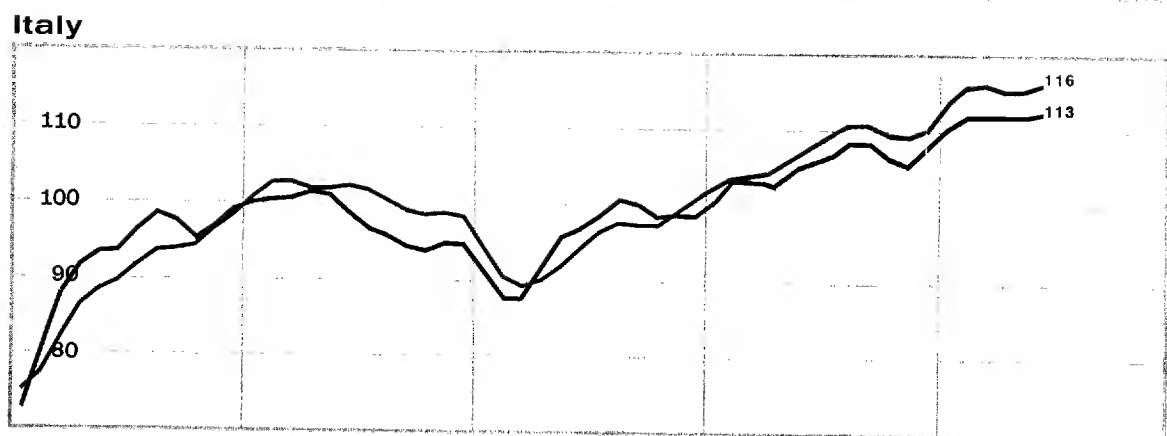
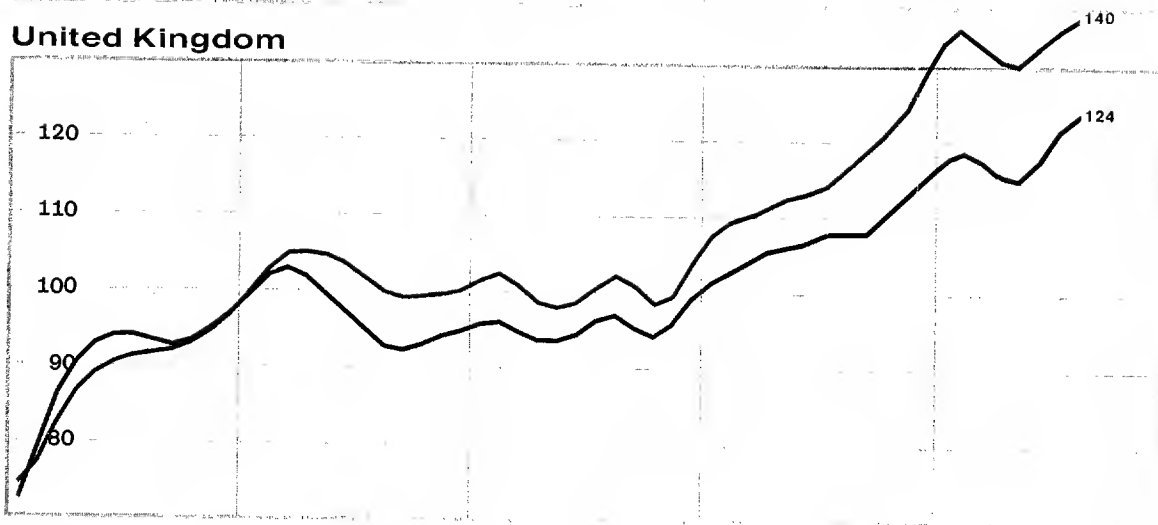
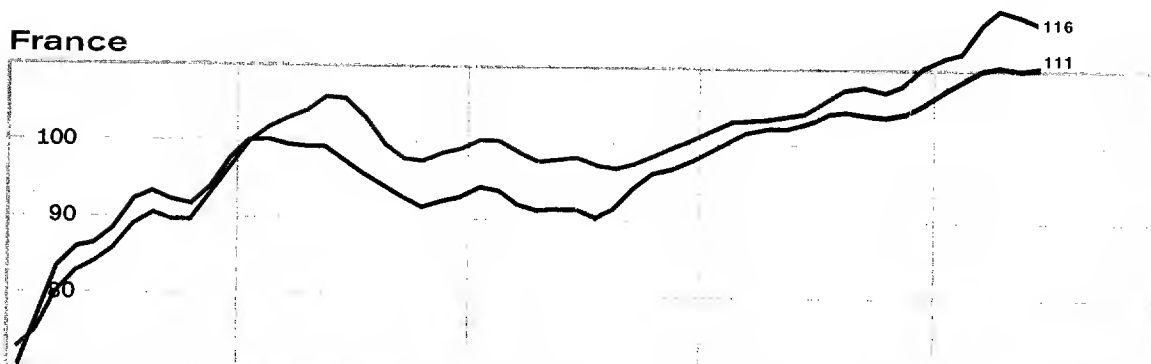
1976

1977

1978

Approved For Release 2004/07/28 : CIA-RDP80T00702A000900030002-7

¹Export and import plots are based on five-month weighted moving averages.



1974

1975

1976

1977

1978

INDUSTRIAL PRODUCTION ¹

| | Latest ² Period | Percent Change from Previous Period | Average Annual Growth Rate Since | | |
|-------------|-------------------------------|---|-------------------------------------|-------------------|----------------------------------|
| | | | Percent Change | | |
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² |
| India | May 78 | 1.3 | 5.6 | 9.1 | 20.8 |
| South Korea | Jun 78 | -1.2 | 22.5 | 20.1 | 26.5 |
| Mexico | Apr 78 | 13.1 | 6.7 | 14.1 | 8.6 |
| Nigeria | 78 1 | 6.8 | 11.0 | 0.2 | 29.9 |
| Taiwan | Jul 78 | 1.9 | 16.1 | 36.1 | 46.6 |

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY ¹

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | | |
|-------------|-----------------|--|-------------------------------------|-------------------|----------------------------------|
| | | | Percent Change | | |
| | | | 1970 | 1 Year Earlier | 3 Months Earlier ² |
| Brazil | Mar 78 | 2.7 | 36.4 | 43.3 | 34.7 |
| India | Mar 78 | 2.0 | 13.8 | 14.5 | 15.3 |
| Iran | May 78 | 0.4 | 29.0 | 21.4 | 66.2 |
| South Korea | Jun 78 | 4.3 | 31.6 | 30.4 | 20.9 |
| Mexico | May 78 | 3.9 | 20.8 | 33.0 | 24.9 |
| Nigeria | Mar 78 | 5.6 | 35.3 | 18.9 | 3.3 |
| Taiwan | May 78 | 0.6 | 25.1 | 32.8 | 40.8 |
| Thailand | Apr 78 | -3.2 | 13.3 | 12.5 | 32.3 |

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | |
|-------------|-----------------|--|-------------------------------------|-------------------|
| | | | Percent Change | |
| | | | 1970 | 1 Year Earlier |
| Brazil | Jun 78 | 4.1 | 28.3 | 38.0 |
| India | May 78 | 0.3 | 7.4 | 1.6 |
| Iran | Jun 78 | -0.1 | 12.2 | 10.2 |
| South Korea | Aug 78 | 0.3 | 14.5 | 13.5 |
| Mexico | Jun 78 | 1.4 | 15.0 | 17.3 |
| Nigeria | Dec 77 | 2.9 | 16.5 | 30.6 |
| Taiwan | Jul 78 | -0.3 | 9.7 | 3.0 |
| Thailand | Jun 78 | 0.9 | 8.7 | 8.4 |

WHOLESALE PRICES¹

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | |
|-------------|-----------------|--|-------------------------------------|-------------------|
| | | | Percent Change | |
| | | | 1970 | 1 Year Earlier |
| Brazil | May 78 | 3.4 | 28.4 | 34.5 |
| India | May 78 | 0.6 | 8.0 | -2.8 |
| Iran | Jun 78 | -1.3 | 10.7 | 9.3 |
| South Korea | Aug 78 | 0.1 | 15.7 | 10.9 |
| Mexico | Jun 78 | 1.3 | 16.6 | 16.8 |
| Taiwan | Jul 78 | 0 | 8.1 | 1.6 |
| Thailand | Mar 78 | -0.1 | 9.4 | 5.8 |

EXPORT PRICES

US \$

| | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since | |
|-------------|-----------------|--|-------------------------------------|-------------------|
| | | | Percent Change | |
| | | | 1970 | 1 Year Earlier |
| Brazil | Feb 78 | 0.4 | 14.0 | 1.5 |
| India | Aug 77 | -2.9 | 10.6 | 17.1 |
| Iran | Jun 78 | 0 | 30.8 | 0 |
| South Korea | 78 1 | 0.7 | 8.7 | 7.7 |
| Nigeria | May 76 | -0.1 | 27.3 | 12.3 |
| Taiwan | Jun 78 | 8.2 | 12.1 | 9.6 |
| Thailand | Dec 76 | 2.0 | 13.3 | 13.1 |

OFFICIAL RESERVES

| | Latest Month | Million US \$ | | | |
|-------------|--------------|---------------|---------------|-------------------|---------------------|
| | | End of | Million US \$ | Average | |
| | | | | 1 Year Earlier | 3 Months Earlier |
| Brazil | Feb 78 | | 6,733 | 1,013 | 5,878 |
| India | May 78 | | 6,123 | 1,006 | 4,431 |
| Iran | Aug 78 | | 11,949 | 208 | 11,561 |
| South Korea | Jul 78 | | 4,298 | 602 | 3,656 |
| Mexico | Mar 78 | | 1,766 | 695 | 1,422 |
| Nigeria | Aug 78 | | 1,872 | 148 | 4,611 |
| Taiwan | Jun 78 | | 1,462 | 531 | 1,411 |
| Thailand | Aug 78 | | 2,295 | 978 | 1,992 |

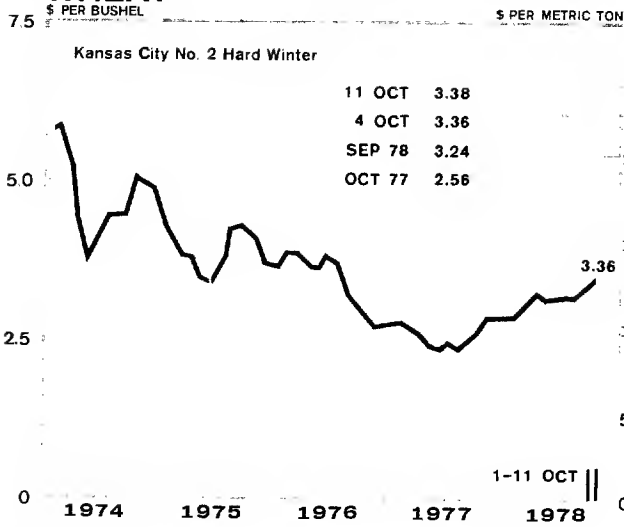
FOREIGN TRADE, f.o.b.

| | | | Latest 3 Months Percent Change from | | Cumulative (Million US \$) | | |
|---------------|--------|---------|--|-------------------|----------------------------|--------|--------|
| Latest Period | | | 3 Months Earlier ¹ | 1 Year Earlier | 1978 | 1977 | Change |
| Brazil | May 78 | Exports | 84.8 | -3.7 | 4,743 | 4,979 | -4.7% |
| | May 78 | Imports | 26.6 | 1.4 | 5,110 | 4,939 | 3.5% |
| | May 78 | Balance | | | -367 | 40 | -407 |
| India | Mar 78 | Exports | -19.6 | -13.5 | 1,476 | 1,707 | -13.5% |
| | Mar 78 | Imports | -24.1 | 9.7 | 1,444 | 1,316 | 9.7% |
| | Mar 78 | Balance | | | 32 | 391 | -358 |
| Iran | Jul 78 | Exports | 49.4 | 14.0 | 13,913 | 13,562 | 2.6% |
| | May 78 | Imports | -1.6 | 1.6 | 5,705 | 5,259 | 8.5% |
| | May 78 | Balance | | | 4,087 | 4,871 | -783 |
| South Korea | Jul 78 | Exports | 39.3 | 23.5 | 6,749 | 5,351 | 26.1% |
| | Jul 78 | Imports | 83.0 | 29.2 | 7,284 | 5,695 | 27.9% |
| | Jul 78 | Balance | | | -535 | -344 | -191 |
| Mexico | May 78 | Exports | -2.2 | 6.5 | 2,037 | 1,773 | 14.9% |
| | May 78 | Imports | 11.6 | 25.7 | 2,340 | 1,868 | 25.3% |
| | May 78 | Balance | | | -304 | -95 | -209 |
| Nigeria | Jul 78 | Exports | 127.0 | -17.4 | 2,187 | 2,854 | -23.4% |
| | Mar 78 | Imports | 579.9 | 115.0 | 1,808 | 841 | 115.0% |
| | Mar 78 | Balance | | | -976 | 359 | -1,335 |
| Taiwan | Jul 78 | Exports | 206.6 | 33.8 | 6,733 | 5,056 | 33.2% |
| | Jul 78 | Imports | 116.8 | 24.1 | 5,474 | 4,439 | 23.3% |
| | Jul 78 | Balance | | | 1,259 | 617 | 641 |
| Thailand | May 78 | Exports | 21.9 | 4.5 | 1,609 | 1,506 | 6.8% |
| | May 78 | Imports | 105.7 | 21.3 | 1,908 | 1,624 | 17.5% |
| | May 78 | Balance | | | -299 | -117 | -182 |

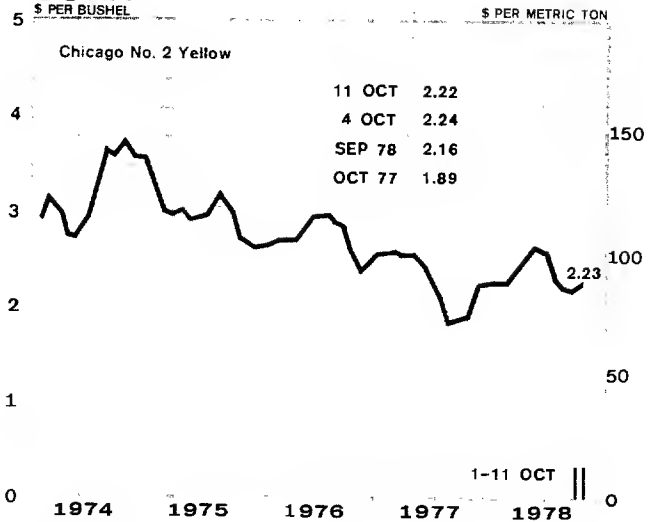
¹ At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

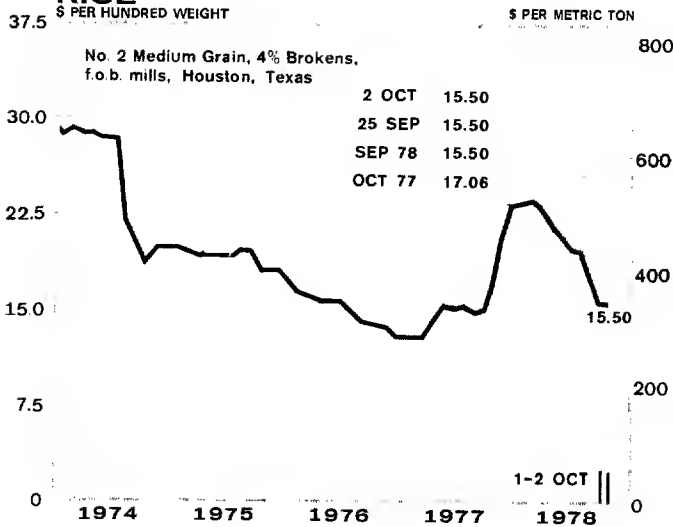
WHEAT



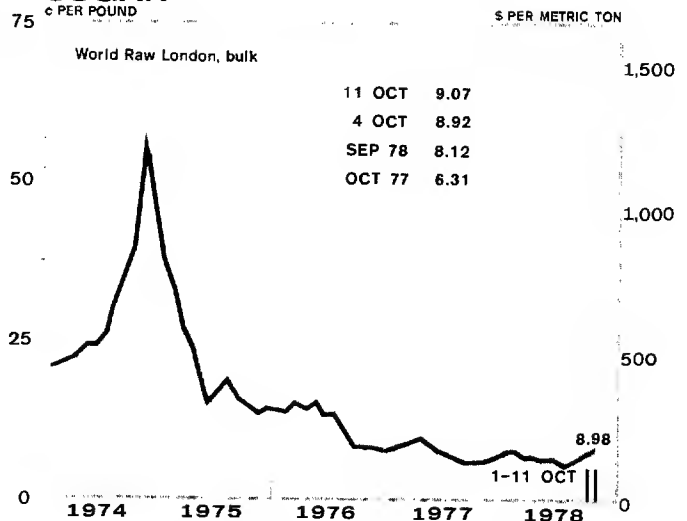
CORN



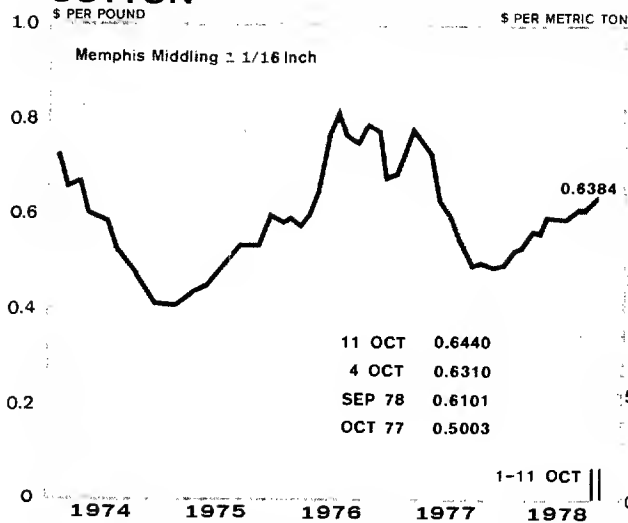
RICE



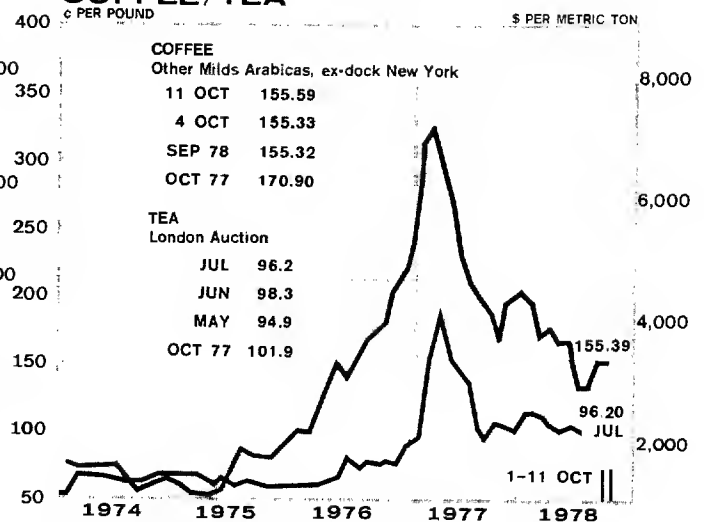
SUGAR

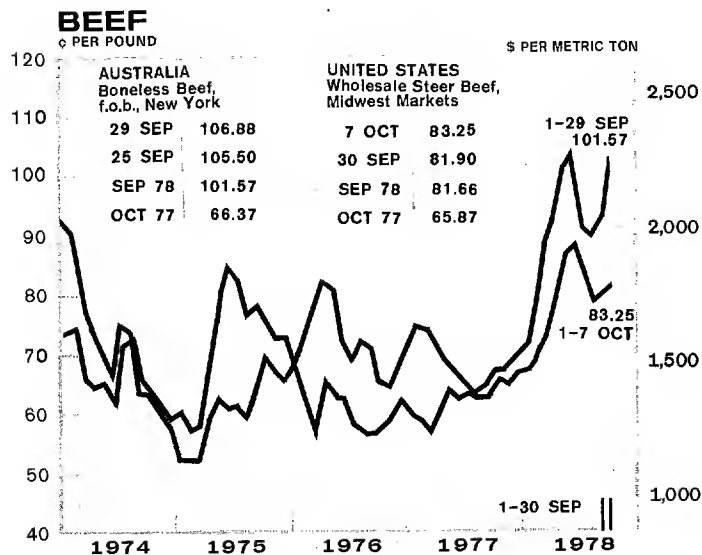
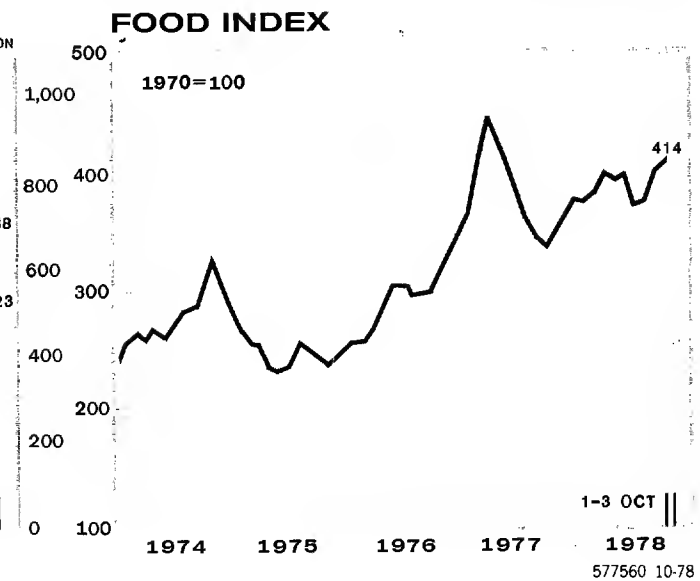
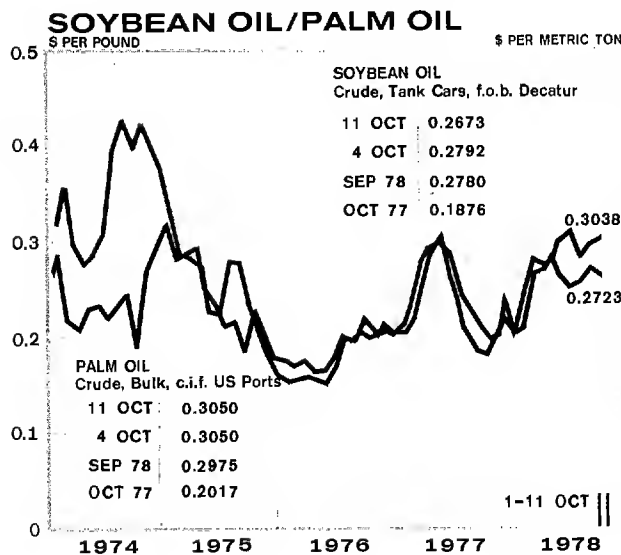
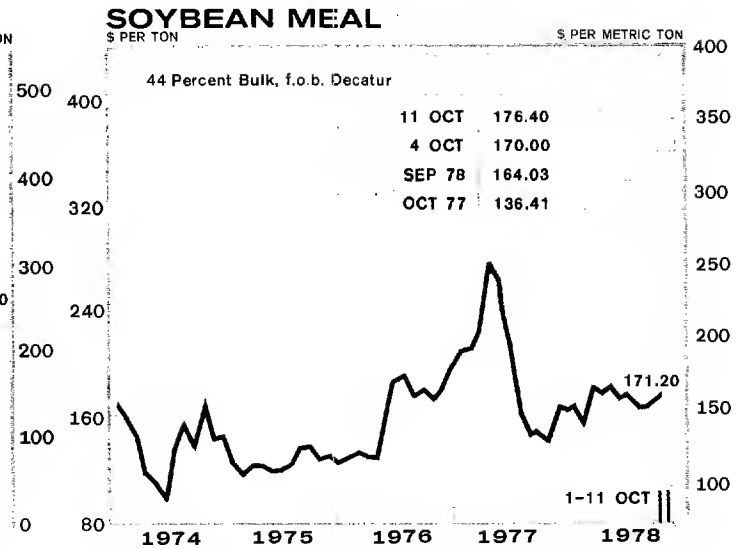
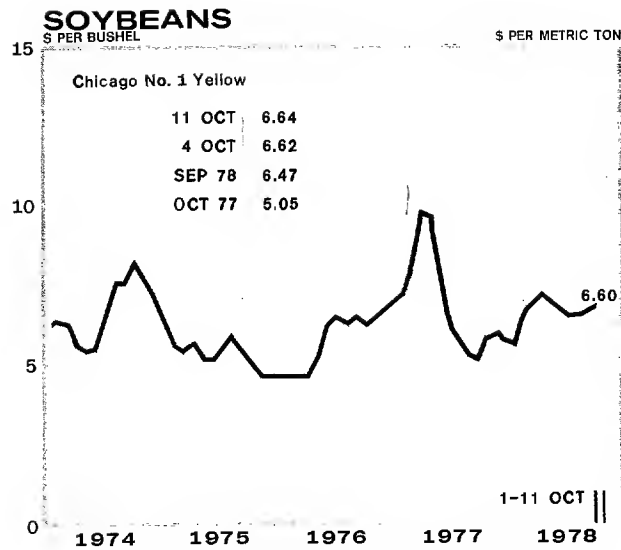


COTTON



COFFEE/TEA

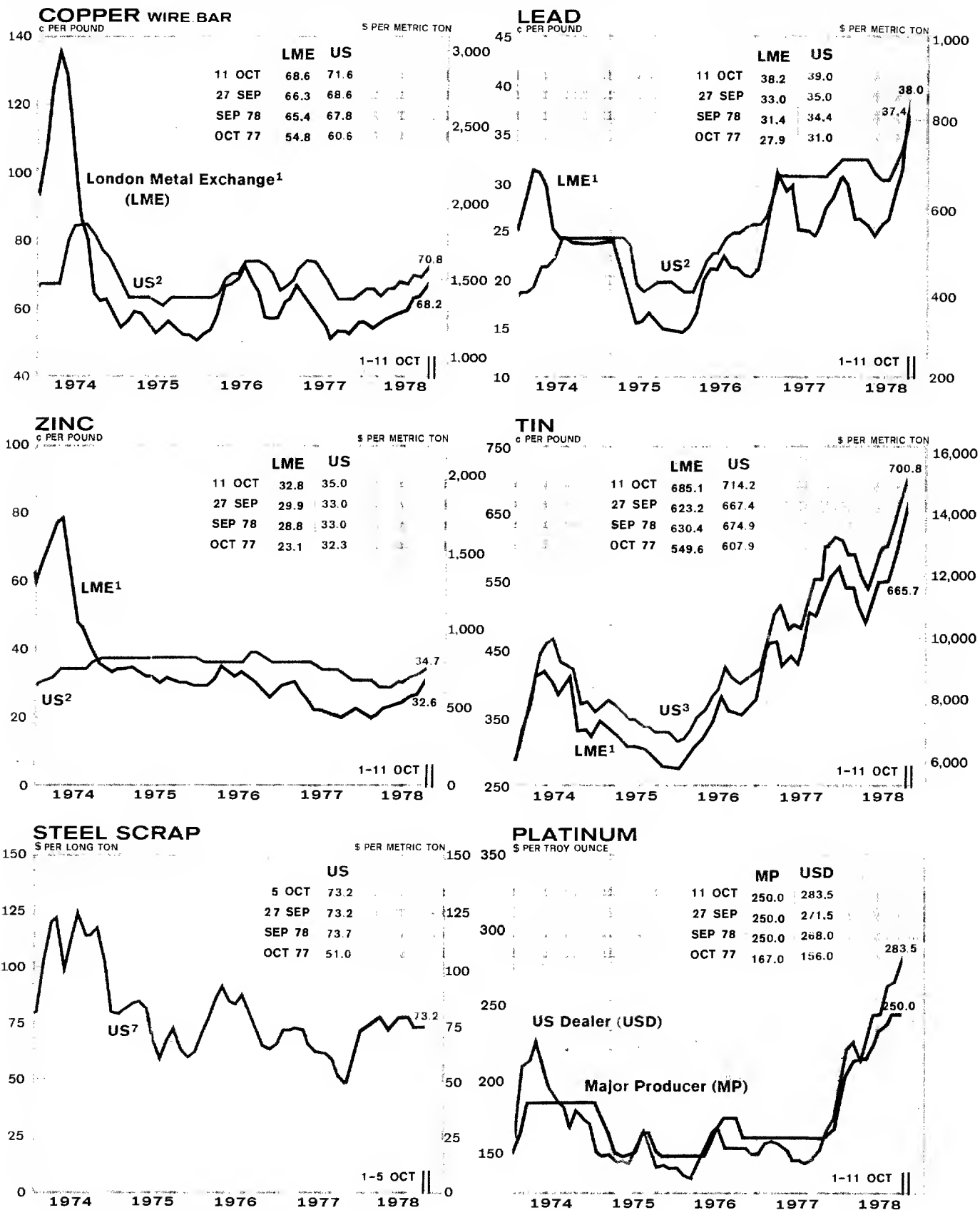




NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

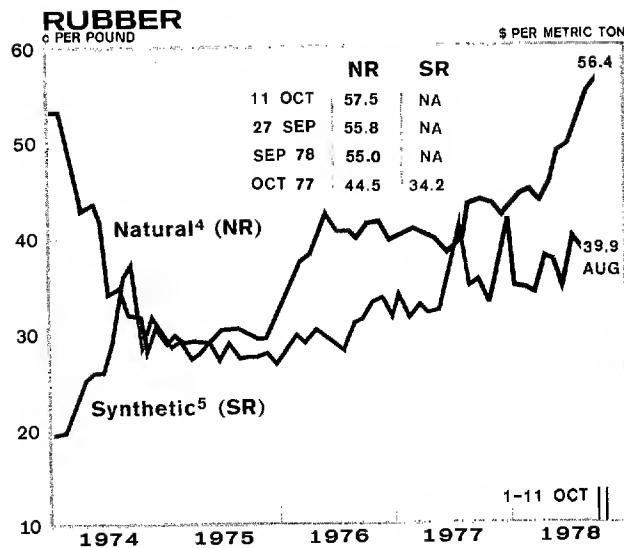
Approved For Release 2004/07/28 : CIA-RDP80T00702A000900030002-7

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

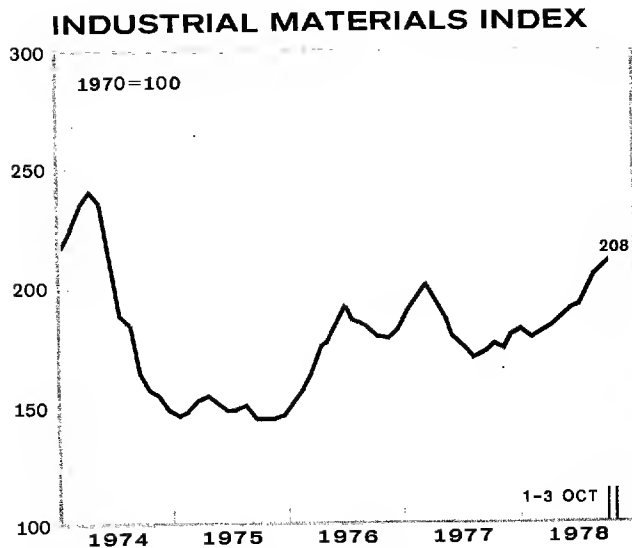
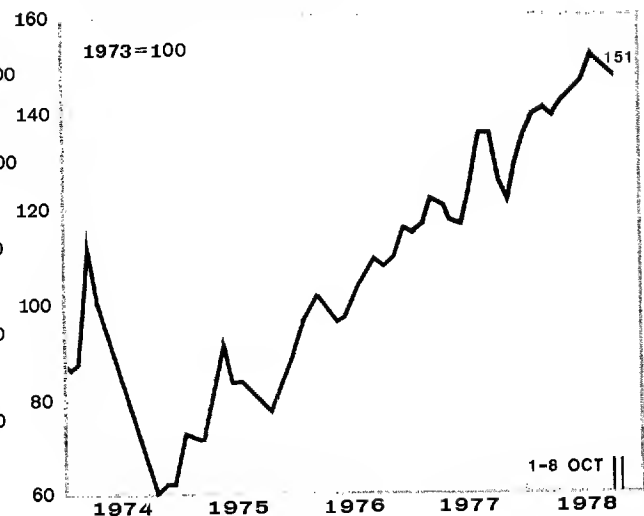


SELECTED MATERIALS

| | | | CURRENT | APR 78 | OCT 77 | OCT 76 |
|---------------|-------------------------------|-----------------------|-----------|-----------|-----------|-----------|
| ALUMINUM | Major US Producer | ¢ per pound | 55.25 | 53.00 | 53.00 | 48.00 |
| US STEEL | Composite | \$ per long ton | 419.31 | 395.81 | 359.36 | 327.00 |
| IRON ORE | Non-Bessamer Old Range | \$ per long ton | 22.55 | 21.43 | 21.43 | 20.51 |
| CHROME ORE | Russian, Metallurgical Grade | \$ per metric ton | NA | NA | 150.00 | 150.00 |
| CHROME ORE | S. Africa, Chemical Grade | \$ per long ton | 56.00 | 56.00 | 58.50 | 42.00 |
| FERROCHROME | US Producer, 66-70 Percent | ¢ per pound | 42.00 | 41.00 | 41.00 | 44.00 |
| NICKEL | Composite US Producer | \$ per pound | 2.02 | 2.06 | 2.11 | 2.41 |
| MANGANESE ORE | 48 Percent Mn | \$ per long ton | 67.20 | 67.20 | 72.28 | 72.00 |
| TUNGSTEN ORE | Contained Metal | \$ per metric ton | 18,222.00 | 18,372.00 | 20,236.00 | 16,340.00 |
| MERCURY | New York | \$ per 76 pound flask | 151.00 | 151.00 | 141.14 | 132.45 |
| SILVER | LME Cash | ¢ per troy ounce | 580.17 | 515.88 | 476.67 | 421.55 |
| GOLD | London Afternoon Fixing Price | \$ per troy ounce | 221.56 | 175.28 | 158.86 | 116.12 |



LUMBER INDEX⁶



¹Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

²Producers' price, covers most primary metals sold in the US.

³As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

⁴Quoted on New York market.

⁵S-type styrene, US export price.

⁶This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

⁷Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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